



# THE CITY OF ROCKVILLE REPORT PURCHASING STUDY

Final Report: Purchasing Study

October 16, 2015

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## Section 1: Executive Summary

Calyptus Consulting Group, Inc. was selected to perform an assessment of Purchasing at the City of Rockville in July, 2015. A number of key activities were completed as will be described in this section. The purpose of the assessment was to evaluate purchasing processes, procedures, organization, staffing, metrics, compliance, systems, and performance.

### 1. Project Research

Calyptus reviewed documents submitted by the City in advance of the first site visit. These materials included current procedures, audit reports, job descriptions, purchase volume reports, and organizational charts.

### 2. Kickoff Meeting

At the beginning of the first site visit, a kickoff meeting was held with City of Rockville staff. In this meeting, a presentation was provided that indicated the project plan and confirmed the expectations from the study.

### 3. Interviews

Interviews were conducted with staff in areas such as operations, purchasing, IT, User departments, finance, and Legal as well as the Mayor, City Manager, and members of the City Council. The results of these interviews are provided in Section 2.1 of this report.

### 4. Policy and Procedure Review

The current purchasing policies and procedures manual was reviewed and compared against the City of Rockville Code. Mandatory requirements were evaluated and summarized. The results of this review are covered in Section 3.1 of this report.

### 5. Evaluation of Purchasing Processes

All of the key purchasing processes were developed and validated with City of Rockville staff including informal purchases, small purchases, IFB/Competitive Sealed Bids, RFP/Competitive Sealed Proposals, sole sources, rider contracts, and contract modifications. These current processes were overlaid with City of Rockville and procedural requirements and were characterized by functional responsibilities. The results are covered in Section 3.7 of this report.

### 6. Benchmarking

Research was conducted on the processes, headcount, metrics, and organization from the NIGP, ISM, peer cities and local counties, and CCG databases. This information was used to assist in the development of recommendations. This information is integrated in various sections of the report.

### 7. Organization Review

An assessment of the present purchasing structure was conducted, including the level of centralization, job descriptions, roles and responsibilities, workload, cycle times, and management expectations. The results of this review are covered in Section 2.2 of the report.

### 8. Efficiency analysis/Compliance/Checks and Balances

Calyptus used the information from interviews, process analysis, procedure evaluation, and purchasing data to evaluate the level of efficiency and compliance. Purchasing file documentation, use of systems, changes to current processes, and the evaluation of the use of panels, cooperative agreements and contract administration were considered in developing key changes to the purchasing system. This information is included in Section 3.6 and 6.1 of the report.

## 9. Measures

Current metrics and performance standards were evaluated in the context of the present workload and responsibilities for the department. We used benchmarking information and common practices in Purchasing to develop proposed metrics. This data is included in Section 5.1 of the report.

Calyptus completed the work envisioned by this study by following the scope of the work of the contract with the City of Rockville and the specific actions noted in our proposal. The work encompassed interviews, data collection, benchmarking, procurement file evaluation, spend analysis, analysis of purchasing processes and methods of procurement, review of policies and procedures, and collection of performance data.

During the first two months of the project, on-site meetings were held at the City of Rockville offices to conduct interviews, review procurement files, and to collect spend data. At the end of each of these visits, the point of contacts were briefed on status and work-in-progress.

Recommendations were developed in each of the major segments of the study and are included below by element of the scope of work. Among the key recommendations are the proposed new organizational structure, changes to policies and procedures, process improvement, customer service excellence and a need to review exempted purchases and rider contracts.

An overarching issue faced by the City is the shortage of a Purchasing Manager and Purchasing staff in Fiscal Years 2014 and 2015. This hampered effective customer service and meeting cycle time expectations. This orientation should be considered when reviewing Division shortfalls noted in this report.

In the final section of this report, we will characterize these recommendations and suggest short, medium, and long term plans for implementation.

### **Recommendation 1: Create a Hybrid Structure of Departmental Focus and Method of Procurement**

We recommend a hybrid organization because it maximizes user department satisfaction and enables the City to introduce a more efficient way to purchase required products and services.

### **Recommendation 2: Purchasing to Report Directly to the City Manager**

Given the significant amount of potential contribution of Purchasing (being responsible for 60% of City expenditures (not including debt service)), and feedback from staff requesting more integration with Purchasing, we recommend that Purchasing reports directly to the City Manager. A change management process must be implemented that ensures proper measures, reporting, and communication processes.

### **Recommendation 3: Update Purchasing Guide**

Based on our analysis there are currently gaps in guidance provided by the City of Rockville Purchasing Code and the guides used by Purchasing and other city staff. The last update to the purchasing guide was in 2011. The updated purchasing guide should be designed as a usable tool to take staff from purchasing planning through post contract management. The City's current guides do not contain all of the requirements and information to take a user through the process from start to finish. The guide should include standardized checklists and forms. Additionally, since there are several requirements that are related to risk management and legal review, any related procedures for completing those reviews should be included in the user guide.

### **Recommendation 4: Incorporate Best Practices in Purchasing into Code and Purchasing Guide**

The City of Rockville's Code and purchasing guides are missing standard best practices in purchasing. Crucial steps in the purchasing process such as independent cost estimates (ICE), cost/price analysis, and use of a qualifications based Method of Procurement are not present in the current Code and purchasing guide requirements. These tools allow purchasers to assess that the City is receiving fair and reasonable pricing for the items it purchases. The City should create worksheet templates for ICE and cost/price analysis for

users to complete as part of documentation requirements. Another best practice the City should include in its Code and guide is a standard set of terms and conditions. The City should create a boilerplate template that includes all terms and conditions with specifications on when to include specific terms in conditions in a contract.

**Recommendation 5: Update Purchasing Card Policy and Procedures Manual and Incorporate into Purchasing Guide**

The purchasing card policy and procedures manual has not been updated since 2012. General administrative updates are needed as well as additional updates to specify critical oversight components. Oversight and audit activities need more specific timeframes and additional documentation requirements provided by users. The audit checklists in the current policy should be used to make a standardized form for users to fill out with each charge.

Additionally, many of the users of the general purchasing system are also users of the Purchasing card program. It would be beneficial to have a comprehensive manual that users can reference for all purchasing requirements.

**Recommendation 6: Conduct Policy and Procedure Training**

The updated purchasing guide needs to be communicated to City staff through a comprehensive training program. Training sessions should be held to inform users of changes to purchasing requirements, use of standardized forms and checklists, and updated P-card requirements. The first wave of training should include all Purchasing staff and all City staff who utilize the purchasing function. Additionally, training materials should be made available to all new City staff and Purchasing should hold regular refresher trainings on specific topics or forms. Specific training recommended:

- Rockville Purchasing Training – Full system coverage 2-day training event for all key Departmental staff
- Refresher Training – Key problems and issues to be discussed 3-4 hour training
- eLearning Modules – (8-10 minutes in key areas)
  - Methods of Procurement
  - Independent Cost Estimates
  - Cost and Price Analysis
  - Writing Specifications and Statements of Work

**Recommendation 7: Introduce more Convenient Purchase Card Training**

The current p-card training program is not a readily usable reference for staff. The slide deck does not contain examples of what an expense report should look like, the level of information required, or standardized reporting forms. The City would benefit from turning this information into an e-learning module that would be mandatory for all staff prior to P-card issuance. The module should include standardized documentation requirements and mandatory quizzes on each p-card requirement. By making this information into an e-learning module in a just-in-time format, the City could create an interactive step-by-step guide to p-card use and documentation compliance.

**Recommendation 8: Implement Updated P-Card Oversight Program**

In order to ensure compliance with P-card policies and procedures, the City should implement an updated P-card oversight program. As the policy stands, there is a requirement at the departmental level for the department director to review all card activity for all cardholders. There are no standardized forms or checklists for the departments to use in this review. Once the departmental review takes place, a standardized form should be used to communicate any corrective actions for documentation deficiencies. After the departmental review, the P-card files should be provided to the Finance Department for reconciliation on a monthly basis. At the time of the on-site review, P-card files were provided to the Finance Department on an annual basis. The Finance Department does perform a system of random P-card audits on a monthly basis to ensure compliance in a timely manner. Any findings from the audits should be

communicated to the departments via a standardized form with corrective actions, and common errors should be communicated City-wide.

The oversight program should also contain a provision for regular P-card data collection and analysis. This responsibility should rest with the Finance Department and should include monthly, quarterly, and annual P-card program data analysis related to transactional data, rebate dollars, and levels of compliance with policies and procedures.

**Recommendation 9: Create Standardized Solicitation documents**

The City should create standardized solicitations for competitive sealed bids (construction and services) and competitive sealed proposals (services)

**Recommendation 10: Develop a system based Contract Management System**

The City should create an accurate, up-to-date, system-based contract tracking system.

**Recommendation 11: Implement an auto-release conflicting for Purchase Orders**

The City should implement the AMS-CGI Purchasing System feature that automates the distribution of Purchase Orders (POs).

**Recommendation 12: Conduct Intensive Purchasing Training**

The City of Rockville Purchasing staff should undergo general training on all subject areas that score below 60% in skill assessment undertaken as part of this review. See Section 3.4. In particular training should be undertaken on, cost/price analysis, negotiations, and source selection. Training should be made specific to the City of Rockville Purchasing System.

**Recommendation 13: Develop standard reports to evaluate procurement activity and update on an annual basis. Data should be compared to established metrics to evaluate Purchasing performance.**

The City is not tracking spend, payment type, method of procurement, or cycle time. This information is needed for increased good governance, transparency, and analysis of use of taxpayer funds. Reports should be posted on the City's website. Multiple custom data reports from the CGI-AMS system were required to develop this analysis including a listing of POs issued, master agreements issued, payments made against master agreements, underlying procurement methods GAX payments, purchase card payments, and requisitions entered and tied to the resulting PO. There are no system generated reports on total expenditures across all payment types. Information contained in the extended description must be reviewed manually on a line by line basis to determine method of procurement in many cases. A similar manual process is required to determine whether all GAX and purchase card payments above \$3,000 were properly authorized. There are no standard reports on the number of procurement actions, solicitation events, or contracts awarded to evaluate the current workload for Purchasing staff. There is also limited data available to determine cycle time and no data available on how long requisitions remain in the queue prior to being addressed or cancelled.

**Recommendation 14: Evaluate GAX payments for competitive purchasing opportunities**

There is no information available to determine how the method of payment was selected. In some cases GAX and purchase card payments are made against existing POs and master agreements, while in others they are stand-alone expenditures. There is no data on why a given payment is made using one payment method rather than another. There is also no data on the justification for considering certain payments to be exempt from the requirements for competitive procurement. In addition, several types of services are currently being purchased on a sole source basis and using the GAX payment method that may be appropriate for competitive procurement such as:

- Insurance
- Outside Instructors for Specialized Programs and Activities
- Non-Specialized Legal Services
- Financial Services

- Printing
- Temporary Staffing

**Recommendation 15: Establish a strategic sourcing plan by first developing category plans for each of the 10-12 major purchase categories and creating sourcing plans and projects to achieve savings**

The City has not implemented a strategic sourcing program. There is no ongoing assessment of how best to leverage the City's expenditures in larger long term contracts. Instead, the City uses other jurisdiction's existing contracts and does not assess the quality of the prices paid. Purchases are typically made on a one-off basis and few City-wide contracts are established.

**Recommendation 16: Standardize Documentation Requirements and Create Checklists**

The City should standardize its purchasing documentation process to ensure compliance with the Code and purchasing guide requirements. The City should do this by:

- a. Defining required contract file documentation and standardize these for both hard and soft copy files;
- b. Developing checklists for file documentation which should be consistently used to ensure files include all required elements before approval.

Key areas that currently have lower levels of compliance and need documentation improvement and standardization are:

- Determination that a contract is "rideable"
- Bid evaluation
- Single bid
- Determination of responsibility
- Negotiation
- Sole source
- Competitive Sealed Proposal formal solicitation

Standardization in these areas could be achieved by creating and disseminating templates and checklists related to the above listed areas and any other process steps that require additional documentation.

Additionally, file checklists will help the City improve its file documentation in areas such as:

- Evidence of posting intent to award
- Evidence of posting award
- AMS requisition with estimated value of purchase
- Copy of specifications
- Signed contract

All of the new checklists and procedures should be reinforced for use by conducting detailed training with peer audit follow-up.

**Recommendation 17: Implement Periodic File Review Compliance Checks**

In order to ensure continuous improvement in acquisition file documentation it is necessary that the City implement a system of periodic file review checks. The system should clearly state the frequency and number of files to be reviewed. The system should also include a form for feedback and corrective actions based on file review results.

**Recommendation 18: Implement procedures for independent cost estimates, cost/price analysis, vendor responsibility, use of standardized templates, guidance documents to departments for delegated procurements, award memorandum, and process for internal contract review**

The recommendation relates to each procurement method of procurement and occurs across all processes.

**Recommendation 19: Investigate additional public procurement websites for opportunities to post public notice of pending procurement actions**

City advertising efforts are limited to the City website and eMaryland Marketplace. The City is not presently using websites such as BidSync or similar advertising mechanisms other than the City of Rockville website and eMaryland Marketplace to publicize pending solicitations. Increasing the use of public procurement websites beyond Maryland may result in reaching a wider pool of potential vendors thereby obtaining higher levels of competition and reduced prices for supplies and services.

**Recommendation 20: Develop a bidders list for use in identifying bidders for procurement opportunities. The list should reflect MFD firms and be updated with each solicitation**

The City does not maintain a bidders list of potential vendors for products and services. The City does not maintain a list of all firms that have responded to solicitations in the past for use in identifying potential bidders for future procurement opportunities. Such a list can be used to ensure interested parties receive notification of upcoming solicitations.

**Recommendation 21: Identify potential MFD firms and conduct targeted outreach to increase MFD participation as prime or subcontractors on City procurements**

To date, the City has not fully implemented all the outreach strategies included in the informal Minority, Female and Disables Owned Business (MFD) program. Pending activities include sending registration information to potential MFD firms, conducting additional internal training events, and attending external MFD events.

**Recommendation 22: Develop a Strategic Plan**

The City should develop plans to move from level to level over the next 3 years. This is an optimal plan to be developed by the new Purchasing Manager and the user departments. The areas of strategy, cross-integration, client relationship management, and purchasing results should be the initial focus areas. Plans for short-term (1-12 months), Medium-term (13-24 months) and long-term (25-36 months) should be developed so that the City's Purchasing system can be deemed characteristic of best practices.

**Recommendation 23: Update and Make Clear all Data Posted on the Website**

Rockville should simplify the website search functionality, to completely separate open bids from those which are closed/awarded/cancelled. Clear definitions of 'closed', 'awarded' and 'canceled' should be provided on the website, and used consistently to track the outcomes of solicitations.

**Recommendation 24: Standardize the information provided to the Mayor and Council**

The City should create a revised and consistent format for developing submittals to the Mayor and Council. In addition, a quality control check should be added in order to ensure that the proper level of detail and analysis is being provided.

**Recommendation 25: Enhance MFD Program**

Since the program is in the beginning stages of fruition and the formal resource has not been hired as of the date of this report, the City should consider the implementation of the program in stages. The current plan the City has adopted is not set up in a way to collect, analyze, and implement activities related to MFD businesses. In order to create an informal MFD program the City should consider the following key activities:

- Coordinate training with Small Business Administration (SBA) and other resources
- Develop and conduct training on how to do business with the City
- Include information about the program on the City's website
- Review procurements on an annual basis and on a case by case basis for MFD participation
- Develop MFD bidder's list
- Hold pre-bid and pre-proposal conferences to involve MFDs and prime contractors
- Set up the ability, on supplier registration, to track MFD and small business participation



- Ask for reports from prime contractors regarding the extent of utilization
- Report utilization to the Mayor and Council at least every six months.

**Recommendation 26: Develop Service Level Agreements**

Purchasing should develop a Service Level Agreement (SLA) with each internal customer using a standard format (See appendix 3). The objective of the SLA is to establish expectations from each customer and measures to calculate performance. This SLA should be updated annually in concert with the budget cycle.

**Recommendation 27: Develop Targeted Improvement Plans**

In addition to developing common program measures as discussed in the organizational structures and measures section of this report, Purchasing should establish two continuous improvement teams to address ratings of differences in Purchasing and User Department's gaps in performance. Both of the following areas should be targeted for improvement in 13-14 months.

- Saving the City Money
- Fulfilling Internal Customer Needs

**Recommendation 28: Establish Five Key Purchasing Measures**

We recommend that the City implement measures for Purchasing in the areas of cost savings, cycle time, customer satisfaction, compliance, and percent of spend with MFD firms.

**Recommendation 29: Optimize use of Current IT Systems**

The current CGI-AMS system is appropriate to manage purchasing activity for the City of Rockville; however some functionality could be improved as noted in the following areas:

- Use the information in the system related to the method of procurement to determine the volume of contract actions completed by type for a given time period.
- Improve information on requisition status to tie more directly to the procurement process; automate requisition status.
- Make department staff aware that information on requisition status is available in the system.
- Notify departments when purchase orders have been issued.
- Use the system to track cycle time, procurement activity by process stage, and method of procurement.
- Automate the process of obtaining Risk Management, Legal, City Manager, and Mayor and Council approval.
- Use the system to track City-wide spend or provide information for use in strategic sourcing activities.

## Section 2: Organizational Structure and Staffing Assessment

### 2.1 Interview Summary

Calyptus developed separate interview guides for Management, Purchasing staff, Inventory Management staff, and Customer Department staff. The purpose of the interviews was to solicit feedback on job responsibilities, how customer departments interact with Purchasing, priorities, the importance and performance of various procurement activities, use of IT systems, measures, solicit recommendations related to organizational structure, and understand resource capacity and constraints. Results of the interviews are summarized below, utilizing both qualitative and quantitative measures. Portions of this section have been repeated in appropriate sections of the report to strengthen the analysis and support the findings made.

#### City Management Staff Interviews

##### *Staff Interviewed*

The following City management staff members were interviewed:

- Mayor
- City Manager
- Deputy City Manager
- Acting City Clerk
- Members of City Council
- Legal Counsel
- Chief Financial Officer

In total, 9 members of City management staff were interviewed.

##### *Role of Purchasing*

City management staff view Purchasing as a supportive function for the City with a dual role of providing advice and guidance on conducting procurement activity and ensuring City funds are used effectively. Several members of City management staff stated Purchasing is responsible for ensuring procurement regulations are followed. Purchasing is also responsible for coordinating with Risk Management and the Legal department when developing and awarding contracts. Some staff noted that Purchasing must balance the requirements of the City Code with satisfying department needs in a timely manner.

Key objectives for purchasing noted by management staff included providing customer service to the departments while managing expenditures, obtaining high quality products and services at reasonable prices, and adhering to regulations.

##### *Performance Measures*

Purchasing is currently being measured on the number of valid protests, number of training events conducted, and the number of minority, female, and disabled vendor events conducted. Recommendations for potential performance measures included:

- Cycle time to complete procurements
- Vendor performance and contract claims
- Use of local business where possible
- Customer service and responsiveness
- Compliance with regulations
- Contract administration and change orders

While most management staff felt cycle time would be an appropriate performance measure, many indicated concerns with how cycle time is defined, noting that purchasing does not control all aspects of the process, such as Risk Management and Legal review of solicitation documents and contracts. Management staff were also divided on whether or not cost savings should be considered as a performance measure for Purchasing with several staff indicating concern that a focus on cost could result in awarding to poor quality vendors.

### ***Purchasing Effectiveness***

Most City management staff reported that the current purchasing system is not meeting expectations. Examples of under-performance included long lead times to complete procurement activity, lack of prioritization, poor communication and customer service provided to departments, and lack of standardization in the process. Several management staff noted they have specific concerns related to legal requirements for contracts such as ensuring authorized vendor personnel are the signatories and that insurance requirements are met.

### ***Resource Allocation***

The Purchasing Department is currently allocated five full time staff including a Purchasing Manager. At the time interviews were conducted, the Purchasing Manager position and one additional full time position were vacant. City management staff stated they are unable to determine whether Purchasing has the appropriate number and qualifications of staff given these vacancies, though many reported that five staff members should be sufficient. Some management staff noted that the complexity of procurement activity has increased in recent years which may require additional staff qualifications to complete effectively. It was also noted that Purchasing staff are responsible for completing all the administrative activity for Purchasing as well as conducting procurements and that additional administrative support may be needed.

### ***Delegated Authority and Approval Thresholds***

Most City management staff indicated the current thresholds for procurement approvals are appropriate; however several staff noted there is a high level of decentralization for some types of payments and question whether the amount of delegated authority is too high. A few staff members also reported they are unsure whether all the relevant information is presented to the Mayor and Council when contract awards are presented for approval.

### ***Future Purchasing Initiatives and Expectations***

There was a high level of consistency among City management staff when discussing future purchasing initiatives and expectations for the department. Key plans for Purchasing include filling both vacant positions, developing formal policies and procedures, providing more training on procurement for new staff members throughout the City, implementing the MFD program, eliminating the backlog of requisitions, and increasing customer satisfaction with Purchasing.

## **Purchasing Staff Interviews**

### ***Staff Interviewed***

The following Purchasing staff members were interviewed:

- Principal Contract Specialist
- Buyer II
- Buyer I
- Inventory Services Supervisor

In total, three staff members from Purchasing and one staff member from the storeroom were interviewed.

### ***Key Responsibilities***

Key responsibilities for Purchasing staff include managing the formal solicitation process for all purchases over \$3,000, converting requisitions to purchase orders, and assisting customer department staff in developing specifications and solicitation documents. All three Purchasing staff are responsible for assisting all customer departments across the City with Public Works and Recreation and Parks being the two largest customers. Purchasing staff currently assist customer departments in buying all commodities and services for the City. Several Purchasing staff members indicated the current job description for their position does not accurately reflect their duties such as contract development and conducting negotiations.

Purchasing is not responsible for conducting procurements below \$3,000 or for contract administration activities once the contract is awarded.

### ***Purchasing Policies and Procedures***

Purchasing is responsible for managing internal policies and procedures in line with the City Purchasing Code which is approved by the Mayor and Council. Staff is informed of changes to the purchasing process through staff meetings and email; however several staff noted the process can be somewhat informal at this time. Multiple members of Purchasing staff indicated that the approval process and thresholds for delegated authority should be evaluated to give Purchasing the ability to approve procurements over \$30,000.

### ***Interactions with Customer Departments***

Purchasing staff report working with customer departments throughout the purchasing process. The most frequent interaction occurs when Purchasing receives a requisition. Additional interactions take place as part of the solicitation process, and include providing assistance to customer departments in developing specifications and solicitation documents, drafting the contract, managing the formal solicitation process, and providing guidance to customer departments on the purchasing regulations. While the customer departments are responsible for developing the specification, Purchasing may provide guidance based on past experience, online research, or through cooperative discussions. Purchasing staff report that there are no formal tools or templates to guide the specification development process. Purchasing staff also provide periodic training on the purchasing process and guidelines to internal customers responsible for performing procurement activities.

### ***Procurement Planning Activities***

Purchasing staff engage in some procurement planning during formal solicitations. Staff report conducting research into previous purchases as part of normal market research activities as well as conducting some online market research and reaching out to other jurisdictions to obtain information on specifications and previous price paid. Purchasing staff are not currently responsible for developing independent cost estimates as this is managed by the customer departments through the budget process.

There are no formal City-wide procurement plans in place at this time according to Purchasing staff. Some category planning is currently taking place, although it is currently limited to items stocked in the City warehouse.

### ***Resource Allocation***

Purchasing staff are currently organized by purchase threshold and method of procurement, with one staff member assigned to manage more complex solicitations. Several staff members report that there is a small degree of category specialization among the buyers. Staff recommendations for how work should be delegated varied with some staff members preferring to be organized by department and others preferring to remain loosely organized by category with all staff able to assist as needed.

There is limited information available on the volume of work for each method of procurement by staff member.

### *Key Performance Measures for Purchasing*

The number of successful protests, cost savings, cycle time, and vendor performance are the current performance measures reported as being tracked by Purchasing. Additional recommended performance measures include accuracy and productivity.

### *Opportunities for Automation*

Purchasing staff indicated that there is a high level of opportunity for increased automation within the purchasing process. At present, only the requisition system and PO creation are automated. Staff indicated that there is an opportunity to increase the use of inventory management tools, spend tracking and reporting tools, and specification development templates.

### *Recommended Improvements to Procurement System*

Purchasing staff reported that improvements should be made to the purchasing process in the areas noted below:

|   |   |
|---|---|
| Approvals/Delegation of Authority                             | ❖ Purchasing should have a higher level of delegated authority                            |
|   | ❖ Increase threshold for informal procurements  |
| Small Purchase  | ❖ Allow departments to conduct more purchasing activity below \$30,000                    |
| Competitive Sealed Bidding and<br>Competitive Sealed Proposal | ❖ Eliminate insurance and bonding requirements when not common<br>practice in an industry |
|   | ❖ Implement Federal Government SF 49 approach   |
| Sole Source   | ❖ Simplify sole source justification form   |
|   | ❖ Clarify difference between sole source vendor and brand name<br>specifications          |
| Cooperative Procurements                                      | ❖ Increase the level of due diligence   |
| Other Recommendations   | ❖ Implement standard templates  |
|   | ❖ Implement boilerplate for contract terms and conditions                                 |
|   | ❖ Provide subject matter expertise within each department                                 |

In addition to implementing these improvements, Purchasing staff indicated that City staff would benefit from increased training in the specification development, contract law, conducting bid and proposal evaluations, and contract administration.

### Customer Department Staff Interviews

#### *Staff Interviewed*

The following staff from key customer departments were interviewed:

- Director, Recreation and Parks
- Director, Community Planning and Development Services
- Supervisor, Special Operations
- Manager, Safety and Risk
- Superintendent, Parks and Facilities
- Recreation and Parks Administration Manager
- Management Assistant for Parks and Facilities
- Facilities and Property Manager
- Deputy Director, Planning
- Director, Human Resources
- Human Resources, Recruiter
- Chief of Police
- Equipment and Budget Coordinator, Police
- Administrative Services Bureau Commander, Police
- Director, Public Works

- Water Treatment Plant Superintendent
- Chief, Engineering Division
- Engineering Superintendent
- Operations and Maintenance Superintendent
- Environmental Management Chief
- Chief of Traffic and Transportation
- Fleet Manager
- Chief, Construction Management
- A/P Finance Staff
- Legal Executive Assistant
- Director, Information Technology

In total, 26 customers from 8 departments were interviewed.

### ***Key Purchasing Responsibilities***

Key purchasing responsibilities for customer department staff include conducting all purchasing activity for procurements below \$3,000, developing specifications, assisting in solicitation development, participating in award decisions, conducting market research, developing cost estimates and performance cost/price analysis, and contract administration. Department staff indicated that they are responsible for conducting a large portion of procurement activities for their departments and that Purchasing only provides assistance on large dollar value contracts. Several staff also noted that the departments are responsible for all vendor management activities once the contract has been awarded.

### ***Purchasing Policies and Procedures***

The current purchasing process is somewhat informal according to the department staff interviews. Staff in several departments noted that they are not informed when the process has been revised and that there does not appear to be a formal process for making changes to internal procedures. Department staff stated that there was training provided on the process in the past and that this was helpful guidance for the departments.

### ***Interactions with Purchasing***

Department staff report interacting with Purchasing throughout the process for all items over \$3,000. In some cases there may be daily communication between the customer department and Purchasing regarding requisitions, specifications, and solicitations in process. Interactions with Purchasing begin with the requisition at which point Purchasing staff reviews the submitted information and indicates where more information is needed. Several department staff noted that Purchasing does not always provide guidance on why a requisition has been rejected and that in many cases there is a delay between when the requisition is submitted and when Purchasing alerts the department that more information is needed. Staff noted that the level of communication typically increases once the solicitation documents are being developed and while the solicitation is active.

All department staff report being responsible for developing specifications. In some cases, department staff may also be responsible for drafting solicitation documents, although this varied by department. Department staff noted that Purchasing may ask questions about the specifications or request more information when developing the solicitation, but does not provide guidance on the modifications needed. Several staff stated the guidance provided by purchasing is inconsistent at times and noted that there have been instances where purchasing staff question the item to be purchased.

### ***Procurement Planning Activities***

Several department staff indicated that they are responsible for conducting procurement planning activities such as market research, specification development, developing the ICE, researching best

practices, and researching previous purchases by the City. Other department staff noted that they are involved in determining whether there are cooperative purchase agreements in place at other jurisdictions they may be able to use instead of conducting a full solicitation. While department staff are responsible for completing the ICE, most noted that this activity occurs during the budget process and that the budgeted value is often used for conducting a cost/price analysis when making contract award decisions.

Department staff reported having some involvement in determining the type of contract to be awarded in collaboration with Purchasing. The method of procurement is determined based on the dollar threshold and by Purchasing.

Each department has a general idea of what the upcoming requirements are for their department, but there is limited information available to them on how their requisitions are being prioritized within Purchasing according to the department staff interviewed. No staff members were aware of a formal process for planning procurement activity throughout the year and several staff noted that much of the purchasing schedule seems to be based around year-end activity.

### *Resource Allocation*

Department staff indicated they spend anywhere from less than 5% up to 50% of their time on purchasing activities depending on time of year. Management level staff reported spending less time on purchasing than other staff members within each department. Staff noted that of this time, the majority is spent on small purchases.

Several department staff stated they would prefer if Purchasing staff were assigned based on specialization of work and method of procurement with cross-training so staff members can assist on any procurement if needed. Other staff noted that the organizational structure of Purchasing was not as important as having a consistent process for assigning requisitions to buyers.

### *Key Performance Measures for Purchasing*

Timeliness and customer satisfaction are the two most important measures of purchasing performance according to the department staff interviewed. Department staff also suggested volume of work, complexity of work, compliance, and cost savings as potential measures to evaluate purchasing effectiveness.

### *Opportunities for Automation*

Department staff had differing thoughts on the level of opportunity for increased automation in the purchasing process. Some departments indicated that most of the process they are involved in is already automated while others suggested the system could include better reporting of requisition and solicitation status. Several staff members noted that requisitions cannot be entered for the next fiscal year which creates a backlog of data entry at the start of each fiscal year.

### *Recommended Improvements to Procurement System*

Department staff reported that improvements should be made to the purchasing process in the areas noted below:

- |                                   |  |
|-----------------------------------|--|
| Approvals/Delegation of Authority | ❖ Evaluate current approval thresholds and bring up to date based on actual expenditure values |
|                                   | ❖ Increase the amount of delegated authority to the departments for routine purchases          |

- 
- |                |  |
|----------------|--|
| Communications | ❖ Provide detailed information on requisition and solicitation status    |
|                | ❖ Focus on collaboration between department staff and Purchasing         |
|                | ❖ Engage in proactive planning and prioritization of purchasing activity |
-

|   |  |
|---|--|
| Small Purchase  | ❖ Implement a request for qualifications (RFQ) method of procurement   |
| Competitive Sealed Bidding and<br>Competitive Sealed Proposal | ❖ Narrow the requirements for on-call contracts<br>❖ Eliminate requirements for payment and performance bonds for professional services  |
| Contract Administration                                       | ❖ Implement a formal process to evaluate and address vendor performance<br>❖ Implement a formal process for managing change orders<br>❖ Evaluate timing of contract expiration dates to avoid performance gaps   |
| Other Recommendations   | ❖ Review policies and procedures on a regular basis and update as needed<br>❖ Reduce the current level of inventory<br>❖ Allow purchase orders and requisitions to roll to the next fiscal year as needed<br>❖ Provide accurate lead-time for conducting procurement activity to allow departments to better plan requisitions<br>❖ Evaluate risk and criticality as part of prioritization activity |

In addition to implementing these improvements, department staff indicated the City would benefit from increased training in the following areas: initial training on the procurement process for all staff, specification development, conducting RFPs, p-card, use of cooperative agreements, cost/price analysis, and contract administration and change order management.

### **Inventory Staff Interviews**

#### ***Staff Interviewed***

The following staff were interviewed about inventory management practices at the City:

- Principal Contract Specialist
- Inventory Services Supervisor
- A/P Finance Staff

In total, one staff member from Purchasing, one staff member from the storeroom, and one staff member from finance were interviewed.

#### ***Inventory Management Practices***

Staff indicated that many inventory management practices, such as inventory planning and demand management, is currently being done manually with a high level of reliance on informal communications with department staff used to identify future needs. Staff estimates that only 50% of the total demand is known at this time. Stocking decisions are being made based on anticipated level of usage and frequency of use based on input from the departments. There are no formal policies for carrying safety stock, although a minimum level is determined manually for some high volume items. A physical inventory is conducted by Finance staff on an annual basis as part of the overall audit process for the City.

#### ***Inventory Management Goals and Objectives***

The current objectives for inventory management include increasing inventory accuracy, providing realistic data on the value of stock items, and eliminating surplus items that have not been used in five or more years.

#### ***Recommended Improvements to Inventory Management***

Several staff indicated there are significant opportunities for improvement in how the City manages inventory such as utilizing IT systems for inventory planning purposes and reducing the overall amount of inventory. Recommendations for inventory reduction included reducing the number of unique items



maintained in inventory and using demand planning tools to have lower minimum stock requirements for non-critical items. Several staff noted that departments often purchase stock items directly rather than taking them from inventory.

### **Assessment of Numerical Ratings**

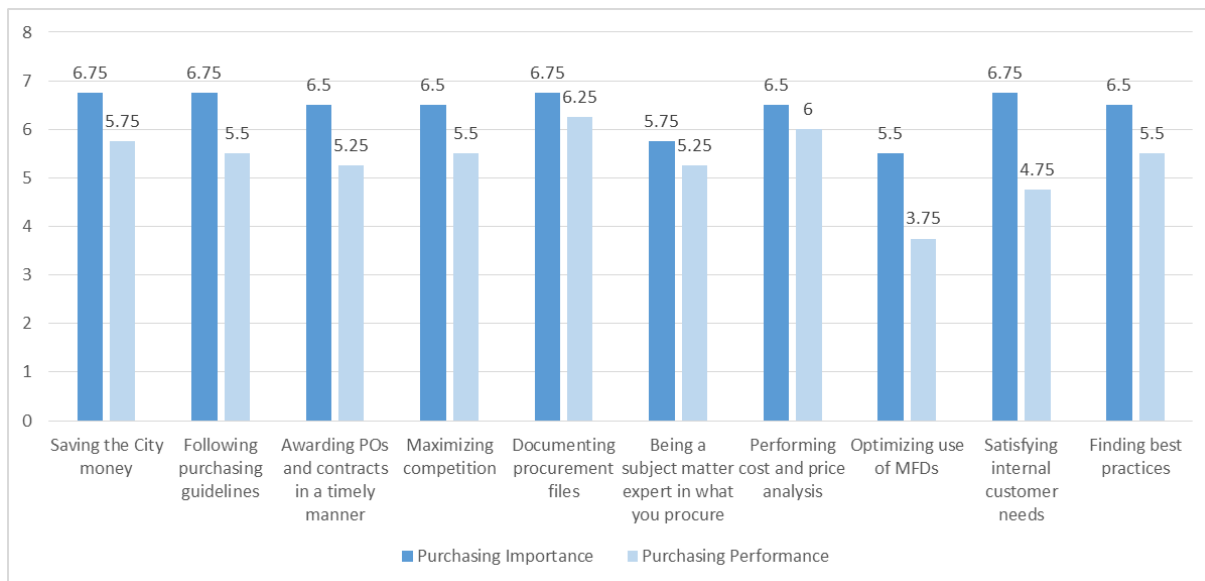
All interviewees were read a list of ten (10) statements relating to Purchasing performance. For each statement, interviewees were asked to give a rating score using a scale of 1 – 7 in which 1=low and 7=high:

- A. The importance of the area to effective purchasing within the City; and
- B. How satisfied they were with the current performance of the City's Purchasing function

The results are broken out between Purchasing staff and customer department staff in the Comparison of Purchasing and Department Staff sections below.

### ***Purchasing Staff***

The average scores given by the Purchasing staff for the importance and performance of each statement are shown in the following table. The data indicates the average score across the four Purchasing staff interviews including one staff member from the storeroom.



All areas were rated between 5.5 and 6.75 in terms of importance. Saving the City money, following purchasing guidelines, documenting procurement files, and satisfying internal customer needs were seen as the most important areas. Satisfying internal customer needs was the area Purchasing staff identified as needing the most improvement with a 2 point difference between the importance rating and level of performance rating. Additional areas with the greatest differences between the level of importance and level of performance were:

- Optimizing use of MFDs (1.75 point difference)
- Following purchasing guidelines (1.25 point difference)
- Awarding POs and contracts in a timely manner (1.25 point difference)

The narrative description and comparison with customer department scores for each area in the Comparison of Purchasing and Department Staff sections on the following pages.

### ***Customer Department Staff***

The average scores given by customer department staff for the importance and performance of each statement are shown in the following table. The data indicates the average score from the customer groups

interviewed. In some cases, customers did not provide a numeric response, these zero values have been removed for purposes of this analysis.



Customer department staff rated satisfying internal customer needs as having the highest importance, followed by documenting procurement files, awarding POs and contracts in a timely manner, finding best practices, and following purchasing guidelines. Customer department staff did not feel it is important for buyers to be subject matter experts in what they procure or to optimize the use of MFDs. The only area with a high performance rating from customer department staff was documenting procurement files; although staff also felt Purchasing performed well in terms of following purchasing guidelines.

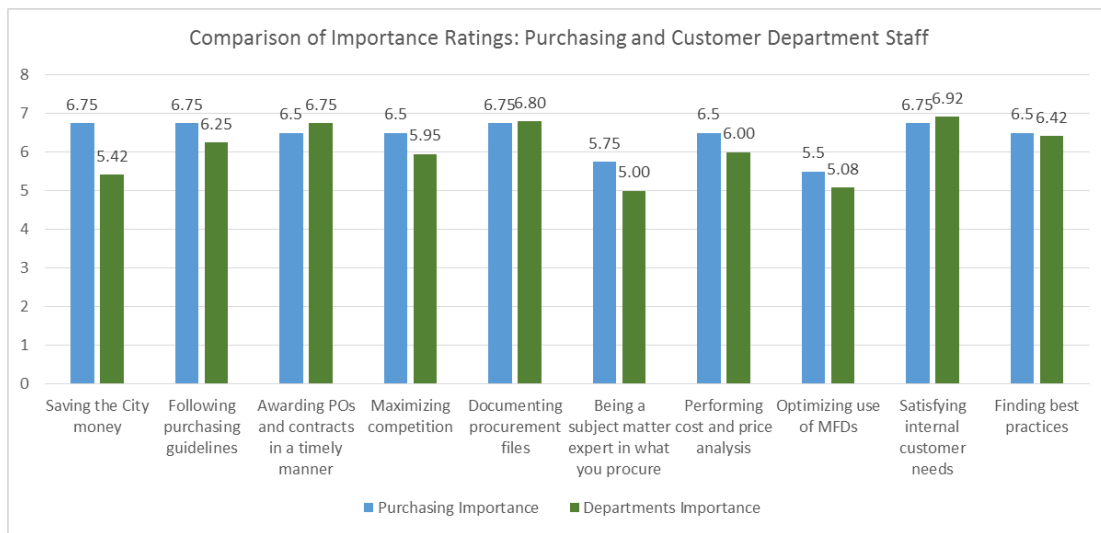
The areas with the largest gaps between how customer department staff rated the level of importance and the level of performance were:

- Satisfying internal customer needs (3.96 point difference)
- Awarding POs and contracts in a timely manner (3.75 point difference)
- Performing cost and price analysis (2.50 point difference)
- Finding best practices (2.42 point difference)

The narrative description and comparison with Purchasing scores for each area is provided in the Comparison of Purchasing and Department Staff sections below.

#### *Comparison of Purchasing and Customer Department Level of Importance*

The following chart combines the data from Purchasing staff and customer department staff to compare importance ratings in each of the statements.



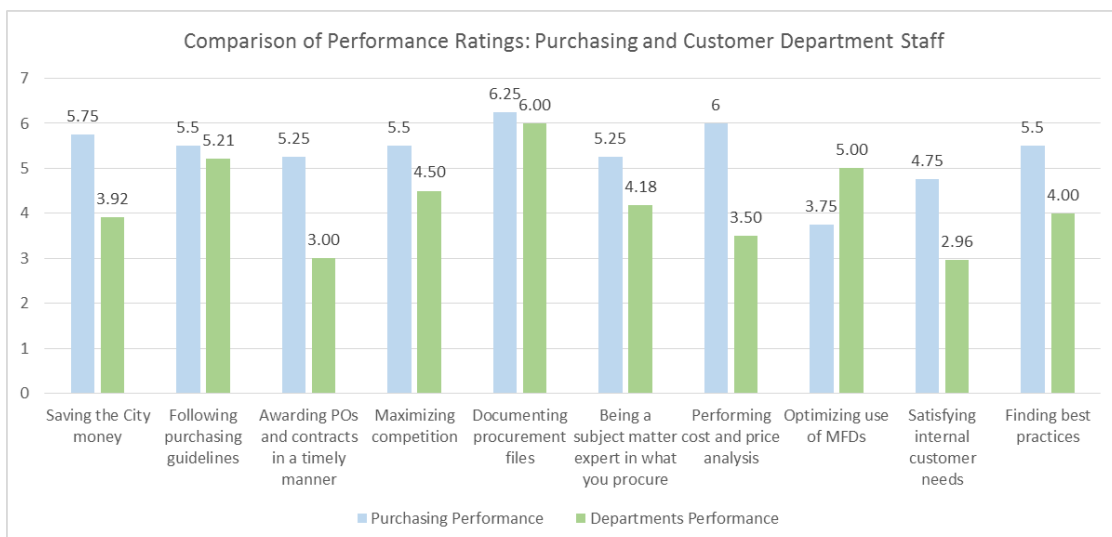
The comparison of importance scores assigned by Purchasing staff and customer department staff indicates relative agreement between Purchasing and customer departments in nine of the ten areas. In the area of saving the city money, Purchasing staff indicated the area was more important than indicated by customer department staff.

The areas with the largest differences in importance scores between Purchasing and customer departments were:

- Saving the city money (1.33 point difference)
- Being a subject matter expert in what they procure (0.75 point difference)
- Maximizing Competition (0.55 point difference)
- Following purchasing guidelines (0.50 point difference)
- Performing cost and price analysis (0.50 point difference)

### *Comparison of Purchasing and Customer Department Level of Performance*

The chart on the following page combines the data from Purchasing staff and customer department staff to compare performance ratings in each of the statements.



The comparison of performance scores assigned by Purchasing staff and customer department staff indicates customer departments rated the City's performance lower than Purchasing in nine of the ten areas. The areas with the largest differences in scores between Purchasing and customer departments

were performing cost and price analysis and awarding POs and contracts in a timely manner. Other areas with large differences in scores were:

- Saving the city money (1.83 point difference)
- Satisfying internal customer needs (1.79 point difference)
- Finding best practices (1.50 point difference)
- Being a subject matter expert in what you procure (1.07 point difference)
- Maximizing competition (1.00 point difference)

Customer department staff did rate the City's performance in optimizing the use of MFDs higher than Purchasing staff.

*Performance Indicator: Saving the City Money*

Purchasing staff rate the City's performance in saving money somewhat highly at 5.75. Several staff noted that while there is a high level of scrutiny in this area, the City does not take proactive steps to leverage purchases to obtain the best pricing on some larger contracts.

Customer department staff gave a much lower score in this area at only 3.92, 1.83 points below the Purchasing staff rating. Multiple staff members indicated the low score was in part due to non-purchase costs associated with a lack of efficiency in the purchasing system while others noted that they are often unable to obtain the best price for an item because they are required to purchase from an existing Master Agreement or obtain from the storeroom.

*Performance Indicator: Following Purchasing Guidelines*

Both Purchasing staff and customer department staff gave similar performance ratings for how well the City follows purchasing guidelines, with Purchasing rating performance at a 5.5 and customer departments rating performance at 5.21; a difference of only 0.29 points. Several Purchasing staff noted that some of the performance issues are related to a lack of communication and Citywide knowledge of what the policy is, while customer department staff stated that there is variation in the purchasing process at times.

*Performance Indicator: Awarding POs and Contracts in a Timely Manner*

This performance indicator had the second largest gap between how Purchasing staff and customer department staff rated the City's performance. While, Purchasing staff indicated that there are some issues in processing requisitions and awarding POs in a timely manner, they gave this area an average rating of 5.25. Customer department staff gave this area one of the lowest scores of the ten areas, with an average rating of only 3.00, 2.25 points below the Purchasing staff rating. Customer departments stated they are often unaware of the status of requisitions once they are sent to Purchasing and that in some cases requisitions can sit in the queue for long periods of time before they are worked on. Several customer department staff noted there may be inadequate staff to manage the volume of requisitions.

*Performance Indicator: Maximizing Competition*

Purchasing staff rate the City's performance in maximizing competition somewhat above average at 5.25. Staff noted that there is a high degree of competition obtained when using competitive procurement methods, but did indicate a practice of piggybacking off contracts awarded by other jurisdictions wherever possible. Customer department staff gave this area a lower rating at 4.50, 1.00 point below the Purchasing staff rating. Several customer department staff indicated that it is the departments that are responsible for researching potential sources and identifying the level of competition while others noted that there are times when only one bid is received in response to a solicitation.

*Performance Indicator: Documenting Procurement Files*

Both Purchasing staff and customer department staff rated this area highly. The average score for Purchasing staff in this area was 6.25, while the average score for customer department staff was 6, only

0.25 points lower than Purchasing. All staff indicated that contract files are well documented and any needed information is easily obtainable.

*Performance Indicator: Being a Subject Matter Expert in What You Procure*

While Purchasing staff rated this area somewhat above average at 5.25, customer department staff only gave a 4.18 average rating for how well the City provides subject matter expertise in what is being procured, 1.07 points below the Purchasing staff rating. Purchasing staff noted that there is not much specialization based on category and that in some cases, subject matter expertise is lacking. In general, Purchasing staff indicated there is enough knowledge of what is being procured to manage the process. Several customer department staff noted that it is often the responsibility of the departments to provide subject matter expertise and that the overall level of expertise has been inconsistent over time.

*Performance Indicator: Performing Cost and Price Analysis*

This performance indicator had the largest gap between how Purchasing staff and customer department staff rated the City's performance. Purchasing staff gave this area an average rating of 6 and noted this is a requirement for all procurements above \$30,000. Customer department staff gave this area an average rating of 3.50, 2.50 points below the Purchasing staff rating, and stated that the departments are largely responsible for completing this activity.

*Performance Indicator: Optimizing Use of MFDs*

Optimizing use of MFDs was the one measure customer departments rated higher in performance than Purchasing. Purchasing staff gave this area a 3.75 rating while customer department staff gave this area a 5.00 rating, 1.25 points higher than Purchasing. All staff members noted that the MFD initiative is new to the City and, to date, has not been fully implemented.

*Performance Indicator: Satisfying Internal Customer Needs*

Purchasing rated performance in satisfying internal customer needs low at only 4.75. There were few comments in this area, although Purchasing staff did note that the perceived level of customer satisfaction may vary somewhat by department. Customer department staff rated performance in this area lower, at only 2.96, 1.79 points below the Purchasing staff rating and the lowest average performance rating by department staff for any of the performance indicators. Key reasons for the low rating cited by department staff included lack of customer service standards and responsiveness, concerns with timeliness, changing requirements, lack of insight into requisition status, and the lack of collaboration in the process.

*Performance Indicator: Finding Best Practices*

Purchasing staff indicated that an effort is made to find best practices for procuring specific commodities and gave this area an average rating of 5.5. Customer department staff indicated that the current process is focused on compliance with the purchasing Code rather than identifying and implementing best practices and gave this area an average rating of 4.00, 1.50 points below the Purchasing staff rating. Department staff also listed inconsistency in the current process as a reason for the low rating.

## **2.2 Organizational Structure Assessment**

### **Inputs to Organizational Structure Recommendations**

The recommendations for organizational structure, headcount, roles and responsibilities, job descriptions, metrics, and performance targets were based on a set of three (3) different inputs.

- 1) Interviews were conducted with user departments and Purchasing. Specific questions were answered regarding recommended organizational structure and potential metrics.
- 2) Data was collected during the CCG spend analysis work regarding categories of purchases, dollar volumes, number of contracts and purchase orders, suppliers used, methods of procurements, and cycle times in order to provide workload information.

- 3) Benchmarking was performed on headcount, types of metrics, organizational structure and reporting, volumes of purchases, and roles and responsibilities to provide information on best practices.

All of this data was used to develop our recommendations for the organization of the City of Rockville's Purchasing Division.

### **Organizational Structure and Metrics Overview**

Senior organizational leaders are constantly facing the need to restructure their organizations. Changes in leadership, a shift in strategy, or changing factors within an organization often create the need for reorganizing. Organizational design is one of the most potent tools available to senior managers for shaping the direction of their organizations. It can be a key leverage point for directing attention and energy to certain critical activities in an organization.

Organizational structure is inherently linked to the goals of the organization and the processes used to attain those goals. Failure to align the organizational structure and the processes results in reorganizations that fail to produce the desired effects, leading instead to further confusion and problems.

Organizational review examines the structuring of supervisory roles, information flows, and jobs within the context of the goals of the organization. Implementation involves managing the transition of people, skills, process flows, and information to ensure the desired new vision is understood and executed.

The objectives of the organizational review and recommendations for organizational design of Purchasing are to:

- Provide transparent services to users
- Build and maintain competencies in category management
- Reduce cycle times and costs
- Implement a best practices solution to manage workload.

Organizational effectiveness can best be achieved through organizational structure, process management, effective policies and procedures, and performance measurement.

### ***Organizational Principles***

Organizational principles for all high-performing organizations are typically the same regardless of the type of organization or the industry in which it resides. While historically there has been a difference in focus for the corporate environment versus the academic or governmental organization, more and more public sector entities are now embracing the same principles used effectively to run private sector businesses. What follows are some basic rules for creating a high-performance organization of any type.

**Rule #1: Focus on the customer:** The organization's main objective is to satisfy the growing needs of existing and future customers.

**Rule #2: Focus on processes:** Processes are the mechanisms whereby value is added for customers; consequently, all non-essential activities must be eliminated.

**Rule #3: Focus on results:** The organization must endeavor to attain its objectives. Performance should be measured by means of a comprehensive set of management targets using performance indicators consistent with the organization's strategic objectives.

**Rule # 4: Strategic centralization and operational decentralization:** Strategic centralization aims to create synergy in the organization in order to create and maintain unique competitive advantages. Such advantages include cost and differentiation through the sharing of activities or processes, the sharing of infrastructure and other resources, and the horizontal transfer of knowledge, skills, know how, and

technologies. Operational decentralization aims to put tactical, day-to-day tasks and activities where they need to reside – on the front line.

**Rule # 5: Human development:** The human element is the key factor in determining the organization's success. Consequently, the organization has to ensure that there is Staff training and career-stream plans in place that will enable personnel to grow within the organization, creating a favorable climate in which employees can contribute to the best of their abilities.

Organizational structure should be designed based on the organization's strategy and the operational processes to meet the organization's goals:

- A functional structure is best used for organizations procuring similar products and services, undifferentiated markets/customers, long cycle times, and common standards
- A product and service structure is best used for organizations to support a product/service focus, multiple products/services for multiple customers, and short cycle times
- A user/customer structure is best used for important users/customers, products/services unique to customers, and when customers require knowledge of purchases, in order to encourage rapid customer service
- A process structure relating to methods of procurement is used as an alternative to a functional structure when it is necessary to accommodate process change and to reduce process cycle times.

The trend today is to wider spans of control and flatter organizational structures. With less command-and-control and more coaching styles of leadership, managers can lead larger groups. Moreover, flatter hierarchies lead to faster decisions, leaders who are in touch with organizational members, and lower overhead costs. Spans of control vary based on the experience of the group members and leader, the variety of work being performed, degree of delegation, how independently tasks can be performed, and how easily tasks can be measured. The traditional organizational model has approximately seven (7) staff members per manager.

Centralization and decentralization reflect the distribution of power among departments to accomplish the missions of the organization. There are pros and cons to both:

- Decentralization typically achieves speed of action and involvement of the people closest to the work; however, the cost of decentralization may include duplication of effort, multiple interfaces for customers, and fragmentation of work among work groups
- Centralization can reduce duplication, achieve economies of scale, and present one face to customers; however, decision making can become more complex as it moves further from the work
- Centralized units are cautioned to protect against becoming too internally focused which may result in a lack of responsiveness to departments/users.

Assigning the appropriate levels to positions within an organization should be determined based on each position's span of accountability, namely the degree of responsibility assigned to each position, the complexity of trade-offs required of the position to achieve desired results and the level of authority and autonomy required of the position.

## **Interview Input**

### ***1. City Management and Council Interviews***

#### ***Role of Purchasing***

City management staff view Purchasing as a supportive function for the City with a dual role of providing advice and guidance on conducting procurement activity and ensuring City funds are used effectively. Several members of City management staff stated Purchasing is responsible for ensuring procurement regulations are followed. Purchasing is also responsible for coordinating with Risk Management and the

Legal department when developing and awarding contracts. Some staff noted that Purchasing must balance the requirements of the City Code with satisfying department needs in a timely manner.

Key objectives for purchasing noted by management staff included providing customer service to the departments while managing expenditures, obtaining high quality products and services at reasonable prices, and adhering to regulations.

#### Resource Allocation

The Purchasing Division is currently allocated five full time staff including a Purchasing Manager. At the time interviews were conducted, the Purchasing Manager position and one additional full time position were vacant. City management staff stated they are unable to determine whether Purchasing has the appropriate number and qualifications of staff given these vacancies, though many reported that five staff members should be sufficient. Some management staff noted that the complexity of procurement activity has increased in recent years which may require additional staff qualifications to complete effectively. It was also noted that Purchasing staff are responsible for completing all the administrative activity for Purchasing as well as conducting procurements and that additional administrative support may be needed.

## **2. Purchasing Staff Interviews**

#### Key Responsibilities

Key responsibilities for Purchasing staff include managing the formal solicitation process for all purchases over \$3,000, converting requisitions to purchase orders, and assisting customer department staff in developing specifications and solicitation documents. All three Purchasing staff are responsible for assisting all customer departments across the City with Public Works and Recreation and Parks being the two largest customers. Purchasing staff currently assist customer departments in buying all commodities and services for the City. Several Purchasing staff members indicated the current job description for their position does not accurately reflect their duties such as contract development and conducting negotiations.

Purchasing is not responsible for conducting procurements below \$3,000 or for contract administration activities once the contract is awarded.

#### Resource Allocation

Purchasing staff are currently organized by purchase threshold and method of procurement, with one staff member assigned to manage more complex solicitations. Several staff members report that there is a small degree of category specialization among the buyers. Staff recommendations for how work should be delegated varied with some staff members preferring to be organized by department and others preferring to remain loosely organized by category with all staff able to assist as needed.

There is limited information available on the volume of work for each method of procurement by staff member.

## **3. User Department Staff Interviews**

#### Key Purchasing Responsibilities

Key purchasing responsibilities for customer department staff include conducting all purchasing activity for procurements below \$3,000, developing specifications, assisting in solicitation development, participating in award decisions, conducting market research, developing cost estimates and performance cost/price analysis, and contract administration. Department staff indicated that they are responsible for conducting a large portion of procurement activities for their departments and that Purchasing only provides assistance on large dollar value contracts. Several staff also noted that the departments are responsible for all vendor management activities once the contract has been awarded.

#### Resource Allocation

Department staff indicated they spend anywhere from less than 5% up to 50% of their time on purchasing activities depending on time of year. Management level staff reported spending less time on purchasing



than other staff members within each department. Staff noted that of this time, the majority is spent on small purchases.

Several department staff stated they would prefer if Purchasing staff were assigned based on specialization of work and method of procurement with cross-training so staff members can assist on any procurement if needed. Other staff noted that the organizational structure of Purchasing was not as important as having a consistent process for assigning requisitions to buyers.

#### Benchmarking and Best Practices Input

Calyptus identified several key areas to be benchmarked. The areas benchmarked for this study were organization structure, and metrics, as well as various standard procurement benchmarks.

Data was collected from various sources such as the Institute for Supply Management (ISM), CAPS Research, and NIGP, as well as previous benchmarking efforts and studies undertaken by Calyptus to review procurement organizations such as Universities, State organizations, Cities, and other Public Agencies.

#### Delegated right to purchase and sign contracts

We received information on the number and type of procurements that are managed in the departments during the period FY2013-2015. By “managed”, we mean that the department staff solicit proposals and bids, and negotiate purchases. Some contracts are vetted by the Legal Department prior to signature but some are signed by departments, notably Parks and Recreation, for low dollar services using an approved contract form approved by Legal. Most of the departments had between 1-10 transactions during this period. Parks and Recreation had 531 transactions, most of which were under \$3,000 and related to the booking of bands, camps, and recreational training workshops and activities. In these cases, the department used a standard contract approved by the City’s Legal Department. The information received and comments on the nature of the products and services procured are noted in the following table:

| Department           | Type of Products and Services  | Volume and Dollar Range | Comment and Appraisal  |
|----------------------|--|-------------------------|--|
| Parks and Recreation | Chemicals purchases. Engineering services, copier leases, pool plaster under rider contracts | \$3,000-\$104,130.60    | Should be handled and managed by Purchasing as these are not delegated purchases |
|                      | Exercise programs  | \$768-\$29,000          | Not exempt and should be informal purchase                                       |
|                      | Camps  | \$4,000-\$36,000        | Exempt but should be handled as sole source                                      |
|                      | Community Center one day events  | \$250-\$2,100           | Should be p-card purchase  |
|                      | Special Events, bands, community events  | \$200-\$12,000          | Exempt; GAX or p-card payment  |
|                      | Radios, ice, security  | \$3,000-\$6,500         | Should be Blanket Purchase Orders  |
|                      | Employment Counseling Services   | \$5,000                 | Should be a competitive procurement  |
|                      | Shelter and assistance   | \$8,000-\$106,000       | Exempt   |
|                      | Outpatient mental health services  | \$41,360                | Should be competitive procurement  |
| City Manager         | Specialized Legal Service  | \$7,500                 | Exempt   |
| Human Resources      | Training   | \$500- \$2,685          | Should be BPA and competitive  |
|                      | Membership Renewal   | \$220                   | Exempt   |
|                      | Travel   | \$1,200-\$2,000         | Exempt   |
|                      | One time services  | \$85-\$1,950            | Should be p-card purchase  |

|              |   |  |  |
|--------------|---|--|--|
| Legal        | On-line legal tool  | \$530 month  | Exempt   |
|              | Professional and specialized legal services               | \$10,000 retainer to \$375,000 Not to exceed agreement | Compete professional services portion of the contracts   |
| Public Works | Software  | \$2,400  | Should be p-card purchase  |
|              | Temporary Labor   | \$161,000  | Exempt   |
|              | Cost share agreements and utility relocations             | \$100- \$80,000  | Exempt   |
|              | Project Management Software training                      | \$4,200  | Should be competitive purchase   |
|              | Purchase of wholesale water and electricity               | Unlimited  | Exempt   |
| IT           | Purchase of as needed MS Notes support and other services | No NTE amount and contract duration                    | For this procurement, there should have been a NTE amount, a contract term, negotiation of any rate changes, terms and conditions to protect the City, and an insurance requirement for work done on site. This work is not proprietary and doesn't fit any of the current exemptions so should have been a competitive procurement. |

All of the above purchases were considered to be exempt, thus no purchasing process was used. This was the result of a narrow interpretation of Section 17 of the Procurement Code. We believe that exempt purchases, as defined by the Code, should have been purchased using a sole source purchasing process as the Code, as written, only allows for that situation.

#### 4. Organization Structure Findings

Benchmarking indicates that organizational structures depend on many factors including: number of employees, geographical location, industry, and business philosophy. Although there is no “one-size-fits-all” structure, there are common characteristics in all organizational structures. These characteristics include:

- User Group Support
- Cross-Functional Teams
- Board of Director Support
- Category Expertise

Category teams are at the heart of best practice organizations executing procurement strategies. The purpose of the Category teams is to involve various stakeholders in the procurement process before that process is executed. By involving stakeholders in the sourcing process (such as sourcing project definition, bid evaluation, and provider selection), user specific needs can be identified and addressed. By understanding the stakeholders’ needs and accounting for them in negotiated sourcing agreements, the procurement organization ensures greater compliance and collaboration. Research shows that “center-led” procurement is the preferred organizational model among purchasing executives.

Centralized organizations leverage corporate spending and drive standard sourcing, process, and technology decisions as well as execution from a central command and control group. While offering greater spending leverage and operational efficiencies, centralized structures sometimes cause higher incidences of unapproved spending, process circumvention, and uneven performance. Decentralized organizations empower business units and sites with autonomy and control over supply, process, and technology decisions, as well as sourcing and procurement execution.

An increasing number of organizations are transitioning to a new organizational structure to position for supply management success: the center-led or hybrid procurement organization. This hybrid model blends spend leverage, process standardization, and the knowledge and resource sharing attributes of centralization with the local empowerment and execution characteristics of the decentralized model.

A center-led structure relies on cross-functional and departmental teams, flexible process and policy standards that can be tailored at the local level, coordinated metrics and incentives, and an integrated procurement information systems infrastructure that automates and aligns spend analysis across the organization. This analysis translates into the following for the City of Rockville:

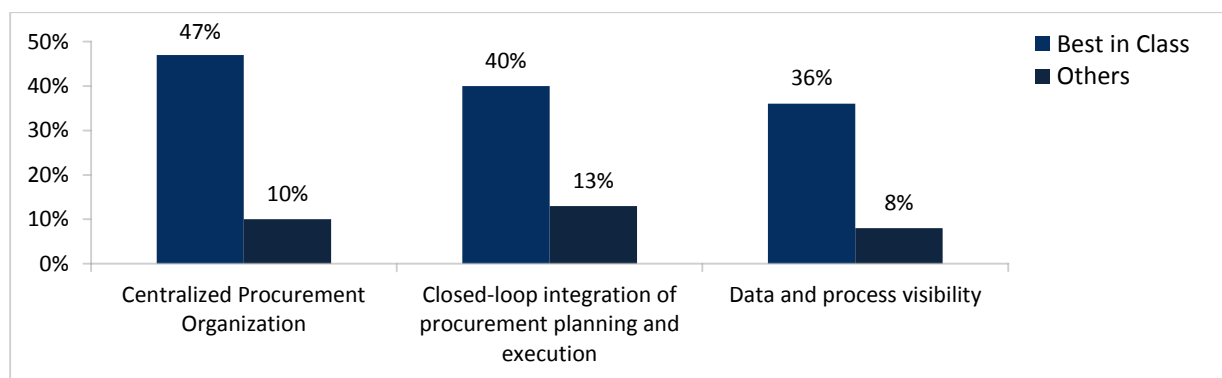
| Decentralized  | Centralized  | Hybrid   |
|--|--|--|
| Sourcing decisions and procurement activities executed at the departmental level | Sourcing decisions and procurement activities executed at central location | Sourcing coordinated across departments            |
| Spending rarely leveraged across the City  | Spending leveraged centrally   | Spending leveraged across the City where practical |

Benchmarking research shows that successful hybrid procurement organizations have the following characteristics in place:

- Executive-level support and reporting structure for procurement transformation.
- A multi-year supply plan that aligns with business goals.
- Cross-functional and cross-organizational teams.
- Shared cost and performance metrics across functional groups and businesses.

Best-in-Class procurement organizations have a central purchasing management organization established with an executive who has end-to-end procurement responsibility and strong cross-functional metrics in place. Industry average is moving toward a more centralized procurement management organization, but most activity is still decentralized into business units and regions. Industry laggards have silo-based procurement operations with little synchronization and collaboration across departments; however, many are moving toward more business unit oversight.

In addition to the foregoing information, Calyptus collected information on organizational structure from NIGP and the evaluation of county and local government organizations. The results are provided below:



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The City falls within the best-in-class implementation of centralized organizations, but falls within the “others” category for closed loop procurement planning and data/process visibility.

Benchmarking of State organizations on organization structure show that most State organizations are either centralized or hybrid, and the vast majority, 88%, is organized around categories (*CCG research*). In the private sector, corporate departments focus on strategic sourcing and maximizing the amount of spend that is covered by contracts. In this way, local purchasing groups can implement the contracts. Most private sector purchasing groups are organized around categories.

The City of Portland has implemented a hybrid organization for about 10 years. The State of Oregon DHS has effectively converted to a hybrid system for 5 years. The procurement organization is comprised of teams specializing in products, services, construction, and contract administrators.

County purchasing organizations are split fairly evenly between team-based and category-based structures. Of the seven (7) county organizations studied; three (3) are organized by teams, three (3) are organized by category, and one (1) is organized by procurement threshold (*CCG research*).

## **Benchmarking**

### ***Processes at Peer Agencies***

Calyptus Group conducted a benchmarking study of peer organizations in several areas applicable to purchasing. Specifically, data was gathered on the following key areas and other areas of comparison:

- Cycle time (in days) from requisition receipt to contract signature for RFQ, ITB, and RFP processes
- Volume of spend (in dollars) handled by each purchasing employee per year
- Volume of spend (in number of purchasing POs) handled by each purchasing employee per year
- Minority Business Enterprise spend as a percentage of total annual spend
- Female Business Enterprise spend as a percentage of total annual spend
- Organizational structure and degree of centralization
- Policies and Procedures
- MFD programs
- Approval authority granted to user departments, Council, Purchasing Staff
- Flowcharts and procurement processes utilized for RFQ, ITB, RFP, Sole Source, and Emergency Purchases

Data on these key areas was gathered from three sources of primary and secondary research:

1. **National Institute of Governmental Purchasing (NIGP) Public Procurement Benchmark Survey** This survey of 324 heads of procurement at all levels of government throughout the US and Canada is published by NIGP for benchmarking purposes.
2. **CCG Public Procurement Data**  
Calyptus Group used past primary research data conducted with twenty (20) US City Governments and State Universities located across several US states.
3. **In-Depth Benchmarking Evaluation**  
City and County Governments were researched to obtain information on purchasing operations. Outreach was conducted with the following organizations:
  - City of Annapolis, MD
  - City of Bowie, MD
  - City of Frederick, MD
  - City of Gaithersburg, MD
  - City of Greenbelt, MD
  - Frederick County, MD
  - Montgomery County, MD
  - Prince George County, MD
  - City of Manassas, VA
  - Fairfax County, VA
  - Herndon, VA

The chart below indicates some information on types of organizations structure from NIGP and Calyptus data.

|                          | City of Rockville | NIGP Public Procurement Survey Data (N=324) | CCG Public Procurement Data (N=20) |
|--------------------------|-------------------|---|------------------------------------|
| Organizational Structure |                   | Percent of Total                            | Percent of Total                   |
| Team-Based by User Dept. | No                | N/A   | 12%                                |
| Category Based           | No                | N/A   | 88%                                |
| Other                    | Yes               | N/A   | N/A                                |
| Fully Centralized        | No                | 69%   | 65%                                |
| Fully Decentralized      | No                | 11%   | N/A                                |
| Hybrid Model             | Yes               | 20%   | 40%                                |

See data in the following chart for the full data set from the NIGP report:

| Organizational Structure                       |  | NIGP 2012 Respondents |
|--|--|-----------------------|
| Decentralized                                  | Almost all buying/ contracting is performed by departments autonomously  | 3%                    |
| Decentralized with Central Review              | Almost all buying/ contracting is performed by other departments, but is subject to review by central procurement  | 14%                   |
| Centralized                                    | Almost all buying/ contracting is done through one centralized departments for the entire organization   | 28%                   |
| Centralized with Delegated Authority           | Buying / contracting is done through a centralized department, with some purchasing authority (including source selection and order placement) delegated to other departments. | 38%                   |
| Centralized Contracting / Decentralized Buying | Centralized contracting process with authority delegated to other departments to buy only from these established contracts   | 18%                   |

*NIGP 2012 Public Procurement Benchmark Survey Report*

Most local agency benchmarks also use some form of Centralized model with Delegated Authority, although the dollar value threshold for Centralized involvement varies between agencies. The below table indicates some of the variation in different agency delegated thresholds.

| Agency                   | Model  | Purchasing Director/ Head Approve                            | City Manager Approve | Mayor and Council/Board Approve |
|--------------------------|--|--|----------------------|---------------------------------|
| City of Rockville        | Centralized with Delegated Authority               | \$3,000->30,000  | \$30,000-100,000     | >\$100,000                      |
| Frederick County, MD     | Centralized (level of Delegated Authority unclear) | <\$50,000  | Not applicable       | >\$50,000                       |
| City of Frederick, MD    | Centralized with Delegated Authority               | Requisitions submitted for all purchases (other than P-Card) | Not applicable       | > \$49,999.99                   |
| Montgomery County, MD    | Centralized with Delegated Authority               | Unlimited  | Not applicable       | Not applicable                  |
| City of Gaithersburg, MD | Decentralized. Procurement Manager                 | >\$2,500   | Not applicable       | >\$30,000                       |

| Agency                | Model  | Purchasing Director/ Head Approve   | City Manager Approve | Mayor and Council/Board Approve  |
|-----------------------|--|---|----------------------|--|
|                       | supports departments and responsible for enforcement |   |                      |  |
| City of Annapolis, MD | Centralized  | <\$30,000 for construction and repair contracts, <\$10,000 purchases not in budget. | Not applicable       | \$30,000 or more (construction and repair), \$10,000 or more for purchases not specifically provided in budget |
| City of Bowie, MD     | Decentralized  | Not applicable  | Not applicable       | >\$25,000  |
| City of Greenbelt, MD | Centralized  | <\$1,000  | \$1,000 - \$9,999    | >\$10,000  |
| Arlington County, VA  | Centralized with Delegated Authority                 | Unlimited   | Not applicable       | Not applicable except CIP construction over \$250,000 and professional services over \$50,000                  |
| Fairfax County, VA    | Hybrid*  | \$10,000-100,000  | Not applicable       | >100,000   |
| City of Manassas, VA  | Centralized with Delegated Authority                 | \$3,000-\$100,000   | 100,000-500,000      | >500,000   |
| Herndon, VA           | Centralized  | <\$30,000   | Not applicable       | \$30,000 or more   |

*\*Some, but not all, departments have delegated authority to undertake procurements, and have delegated authority to approve within the \$10,000-\$100,000 range.*

The table above indicates that there is a range in approval levels for both Purchasing and Board/ Mayor and Council Approval. The City of Rockville has a relatively low approval threshold for the Manager of Purchasing, and includes an additional approval level for the City Manager, which some of the other benchmarked agencies did not appear to utilize.

- **The majority of purchasing organizations are centralized.** A hybrid model is a less common structure but has been adopted by 20% of the 324 public procurement organizations studied by NIGP. The decentralized model is rarely utilized.
- **The level of decentralization for purchases at the City is consistent with other Purchasing Divisions in the public sector, as noted below:**
  - a. Allowing purchase card use for simple purchases under \$3,000
  - b. Delegated assistance in gathering quotes for products and services for small purchases, with Purchasing final review and approval of results
  - c. Delegated purchases of small dollar procurements under \$3,000 requiring a simple standardized contract.

## Organizational Structure Evaluation

### Purchasing Organization Findings

Best-in-class organizations that have implemented strategic sourcing and realized cost savings use a formal sourcing and supply management organization or shared services organization for all company-wide sourcing efforts and have standardized sourcing processes company-wide, including some that use disciplined sourcing procedures for all categories of spending. High-performing organizations analyze spend and compliance on at least a quarterly basis and apply strategic sourcing principles for up to 82% of total spend. The breakout of approaches for implementing strategic sourcing, including organization, are noted in the following chart, as the City would fall into the “laggard” boxes due to the lack of a strategic sourcing orientation:

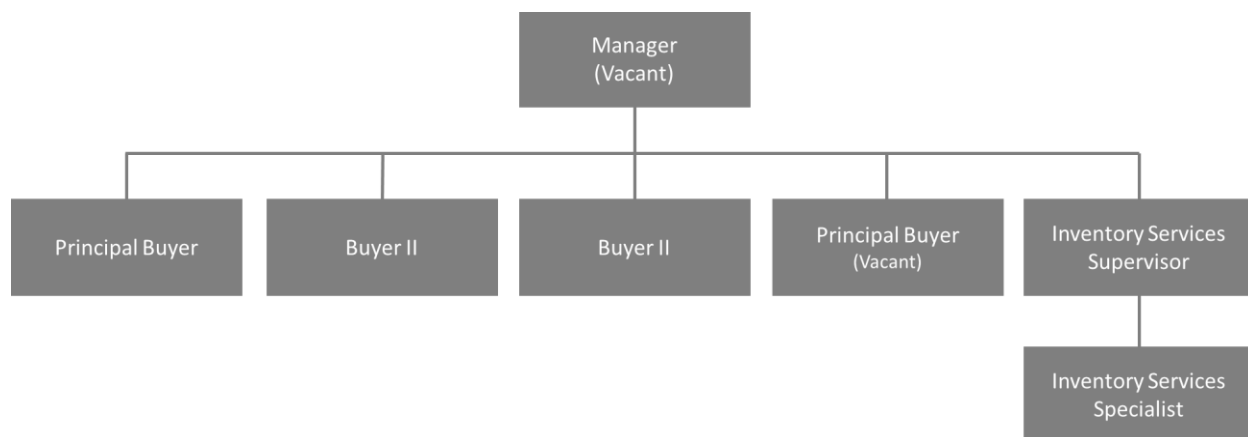
|              | Best In Class   | Industry Average   | Laggards   |
|--------------|---|--|--|
| Organization | Formal group for managing and aligning sourcing processes and decisions across the organization   | Sourcing teams organized at the business unit level. Some coordination across units and regions  | No formal sourcing organization  |
| Process      | Standard sourcing procedures used and enforced organization wide  | Sourcing standards used only for most critical or strategic spend categories   | Sourcing approaches and decisions vary by business unit  |
| Knowledge    | Standard and repeatable reporting on spending and contract compliance<br>Standardized sourcing procedures; expertise across multiple categories | Ad hoc and high-level reporting on spending and contract compliance<br>Some sourcing process standards; expertise on critical categories | Limited visibility into corporate spending and contract compliance<br>Little sourcing or category expertise            |
| Performance  | Spend and compliance analyzed on quarterly or more frequent basis<br>Strategic sourcing principles applied to 82% of total spend                | Spend and compliance analyzed on annual basis<br>Strategic sourcing principles applied to 35% of total spend                             | Spend and compliance analyzed on ad hoc basis<br>Strategic sourcing principles applied to less than 25% of total spend |

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### Review of Organizational Structure Options

#### Current Structure

The current Purchasing organizational structure is depicted in the following chart. The total headcount is 7.4, including vacant positions, temporary staff, and warehouse functions. Purchasing is budgeted for 5.4 staff. Please see Section 3.5 for an analysis of workload. We determined that authorized staffing levels are appropriate for the City. The Purchasing Division is currently structured based on methods of procurement and level of experience of staff. In the first calendar quarter of 2015, the Purchasing Division received



approval to add another staff member to provide additional purchasing support as well as manage the MFD process.

Assignments to purchase are based on submitted requests and controlled by the Manager, and the City does not have a written and prioritized system for assignment of requisitions for purchasing actions.

### Requirements for Organizational Structure

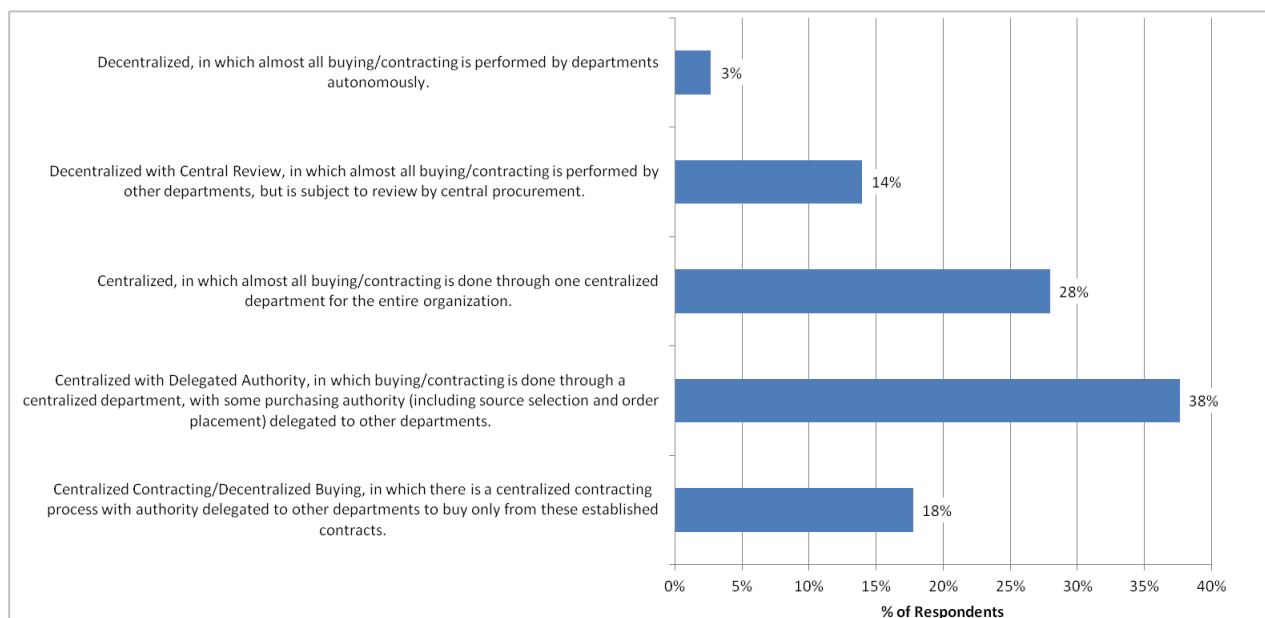
Purchasing is a service organization responsible for coordinating purchasing activities to accomplish the following:

- Assist City departments in the selection of suppliers to fulfill their needs for products and services
- Manage activities in accordance with State of Maryland statutes, City of Rockville Code, and City Council directives
- Coordinate purchasing needs to negotiate and ensure the best overall value
- Identify and evaluate suppliers and MFDs, process purchasing requisitions by coordinating master agreements, request for quotes, in accordance with regulatory requirements, and ensure customers receive the products and services they require
- Strategic Sourcing – identify opportunities, negotiate, and monitor leveraged contracts to reduce cost and/or improve service to The City
- Policy and Compliance – maintain an accurate record of current regulatory requirements and the City rules and regulations impacting purchasing activities, summarize policies for ease of use by purchasing and customer Staff, document and communicate purchasing processes, monitor process effectiveness, and continuously improve processes as needed to meet department objectives
- MFD Utilization – promote and manage the use of MFDs on behalf of The City, increase exposure of procurement opportunities, and increase spending with these types of suppliers.

### Potential Options for Organizational Design

#### Benchmarking Report

The NIGP data indicates that 38% of public agencies surveyed have centralized purchasing departments with delegated authority for source selection and order placement as noted in the following:



*NIGP 2012 Public Procurement Benchmark Survey Report*

Three options for Organizational Design exist based on benchmarking and best practices in Procurement and Contracting. Each of these options is discussed below.



## Comparison and Analysis of Organizational Structures

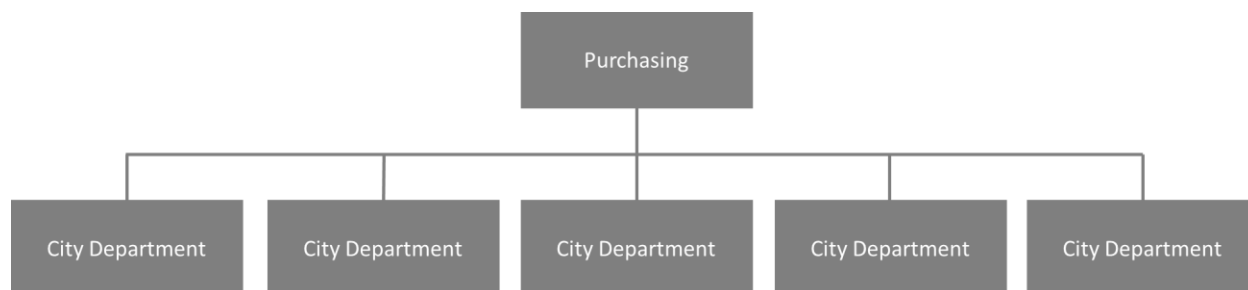
For each common activity performed by Purchasing staff and the user departments, we evaluated various organizational structures. For each unique activity, we assessed whether the structure chosen for common activities can be responsive and effective.

|  | Decentralized | Centralized | Hybrid with Leveraging           |
|--|---------------|-------------|----------------------------------|
| Need for leveraging                                |               | Typical     | <b>Best</b>                      |
| Need for close supplier interactions               |               | Typical     | <b>Best</b>                      |
| Need for standardization                           |               | <b>Best</b> | Acceptable                       |
| Need for local program support                     | <b>Best</b>   |             | Could work                       |
| Need for consistent processes                      |               | Acceptable  | Acceptable                       |
| Need for professional development                  |               | Acceptable  | Acceptable                       |
| Need for customer service                          | <b>Best</b>   |             | Okay for standard implementation |
| Need for specialized procurement support           | <b>Best</b>   |             | Acceptable                       |
| Need for improved supply chain quality             |               | <b>Best</b> | Okay for local implementation    |
| Need for integration of purchasing with user group | <b>Best</b>   |             |                                  |
| Need for expedited source decision-making          | <b>Best</b>   |             | Could work                       |

### Potential Options for Organizational Design

#### Department Structure

This type of organization is based on assigned buying activities by user department. Personnel are organized based on their function and support specific departments. Further alignment to this form is possible, having teams established to support Divisions. Staff can be cross-trained on specific departmental requirements to manage workload and vacations/time off. The structure is specifically described below:



Advantages include:

1. Provides standard point of contact for department staff
2. Allows for high degree of standardization within each division/program (input from Work Team)
3. Develops program expertise within Purchasing

Disadvantages include:

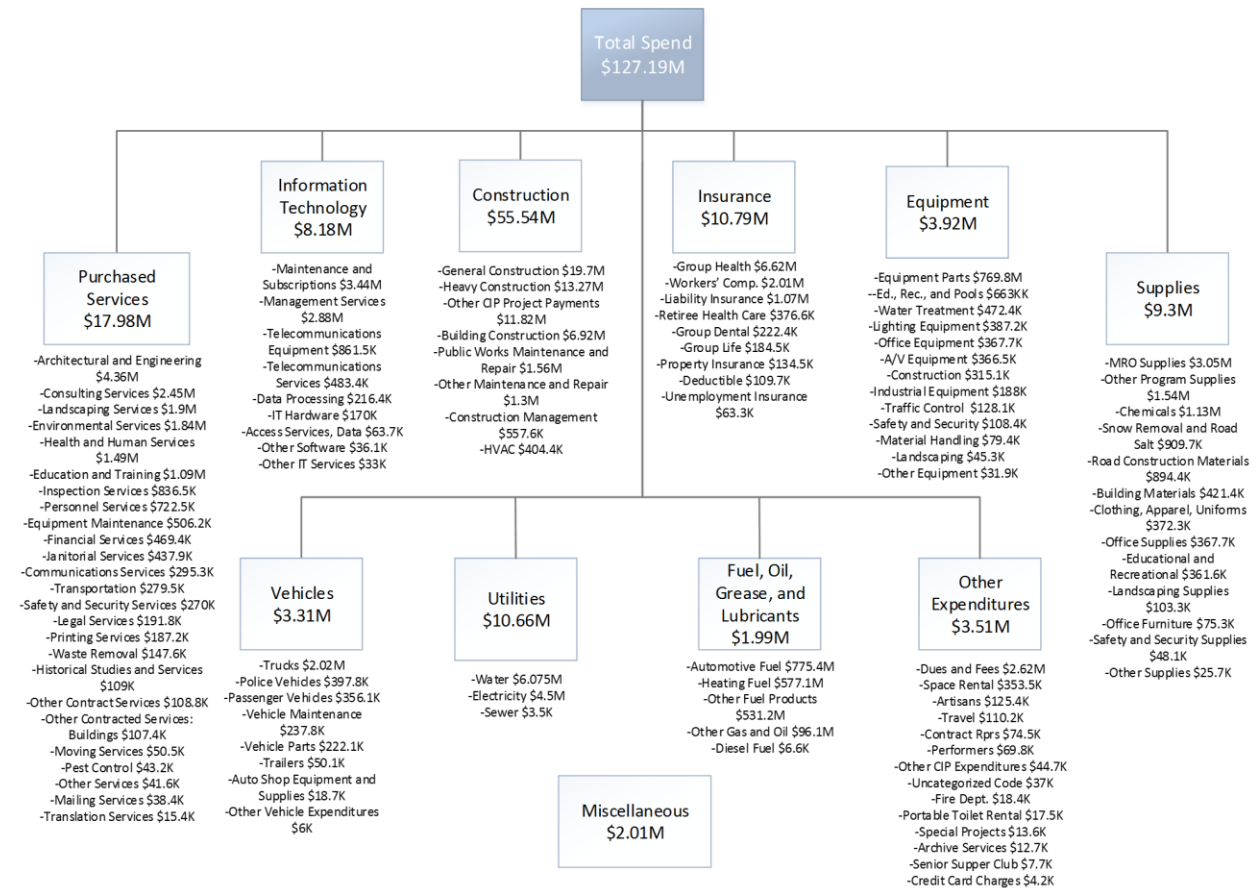
1. Little standardization across departments
2. Lack of coordination across departments
3. All purchasing staff are required to be experts on many services
4. Buying power of purchasing is not optimized
5. Lack of cross-training; no backup staff to cover vacation/time off
6. Lack of access to division-specific IT systems

## Category-Based Structure

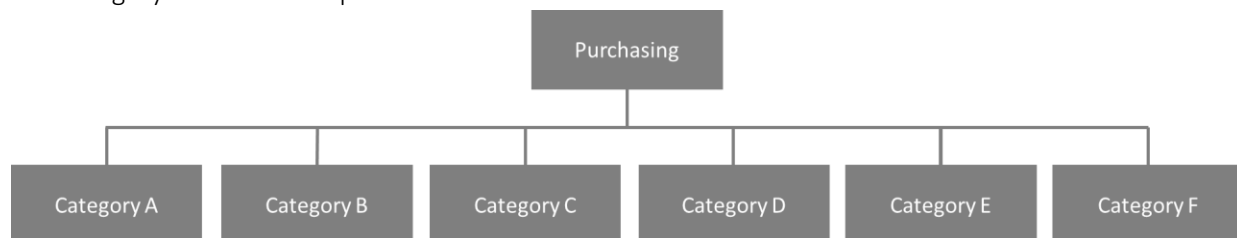
As the benchmarking information points out, strategic sourcing is made possible by category-based management of products and services. This allows for expertise in specific categories in order to maximize buying power and service/product knowledge. This form of organization would be set up to manage purchase categories of supplies and services across City departments.

### Spend Tree for Top Ten Categories

The spend tree created by Calyptus based on data provided by the City. This data characteristics spend for FY2014 and FY2015 calls out ten categories for Purchasing.



The category structure is depicted below:



Advantages include:

1. Team and staff have subject matter expertise by category
2. The City can more effectively consolidate its purchasing volumes
3. Cross-departmental participation is fostered and required
4. More standardization of processes is possible
5. Better knowledge of specific contract types is possible
6. Purchasing staff would know what types of contracts are in place City-wide

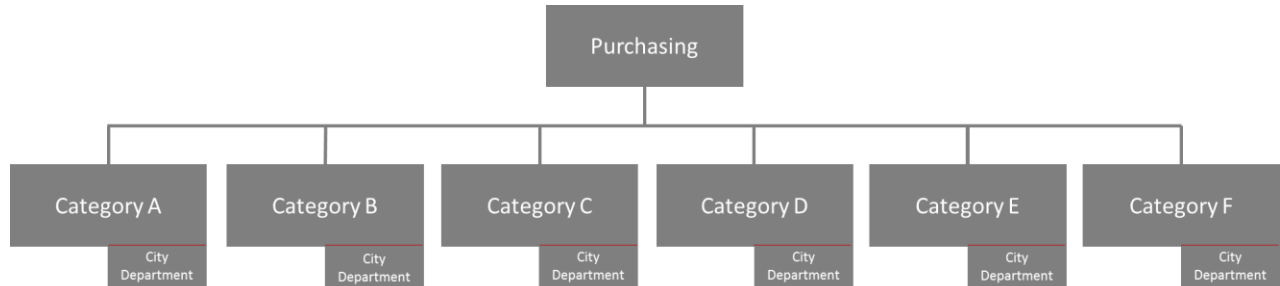
Disadvantages included:

1. Staff have more difficulty learning program-specific needs
2. All categories may not be covered, particularly new services
3. Staff lose departmental knowledge

### Center-Led Structure

This form of organization is now ubiquitous in supply management and purchasing worldwide. It allows for a combination of the centralized planning and decentralized exertion required to manage categories across enterprises. In this form, both a category-based and departmental focus is possible based on assigned categories.

The structure of this organizational type is provided below:



Under a center led organizational structure each category is managed by a category manager as in the category-based structure. While the category manager is responsible for the category across the entire agency, each category is also linked to the department which most utilizes the category based on spend. This allows for closer linkage with key end users and departments.

Advantages include:

1. Coordinated mix of departmental and category goals possible
2. Drives the strategic sourcing process with mix of Purchasing and departmental staff subject matter expertise
3. Staff remains in Purchasing but have departmental ties
4. Provides ability to leverage and coordinate
5. Allows for targeted goals for Purchasing staff

Disadvantages include:

1. Staff working for Department may be more focused on departmental needs rather than category-wide needs
2. Does not ensure complete cross-departmental participation
3. May increase cycle time due to lack of departmental knowledge for smaller category users
4. May have implementation concerns with existing staff due to coordination needed

### Full Centralization

Full Centralization, was considered, but it was decided not to be appropriate for further review due to the need to have departmental-specific Staff conduct purchasing work pertaining to unique departmental needs and an overwhelming desire by users, as customers, to have input on supplier selection. Cycle Times would dramatically increase with this organizational form.

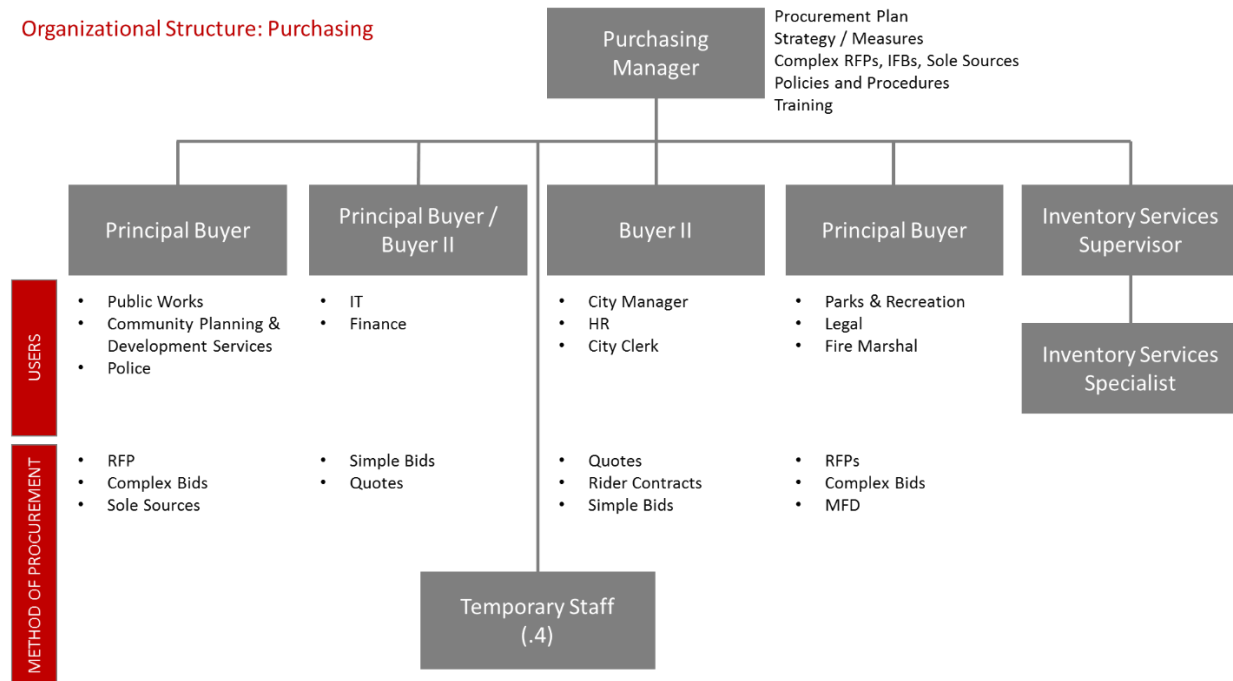
## Full Decentralization

The full decentralization model, except for the use of purchasing cards, was also deemed to be excluded from further review due to redundancy, lack of standardization and compliance, and the increased headcount that would be needed to implement it.

### **Recommendation 1: Create a Hybrid Structure of Departmental Focus and Method of Procurement**

We recommend a hybrid organization because it maximizes user department satisfaction and enables the City to introduce a more efficient way to purchase required products and services.

#### Organizational Structure: Purchasing



The specific responsibilities for purchasing staff will vary by level when establishing authorization level, size and scope of projects they can lead, method and complexity of the procurement. Specific authorization level and category assignments should be documented explicitly in each job description.

- Fulfill requirements for assigned products and services in accordance with regulatory requirements
- Coordinate RFPs, review and evaluate proposals, recommend provided selection to the requisitioner, and negotiate pricing and performance terms
- Issue contracts within the timeframe required by the customer and ensure that the customer has all of the information required to appropriately complete the required purchase
- Stay abreast of current policies, regulations, and processes governing purchasing activities
- Develop personal expertise in the assigned category areas
- Ensure a general understanding among the staff and its customers, how to contact people within the department, and how to effectively interact with customers
- Provide back-up support for staff within the staff as needed or assigned
- Consult with customers, as needed, to ensure an accurate understanding of the customer's needs, and to ensure that the requisition is accurate and complete, assisting the customer as needed in the development of clear Statements of Work and/or specifications
- Monitor the performance measurements for assigned requisitions (e.g., turnaround time, cost savings, service level) and follow-up on each requisition to ensure performance targets are achieved

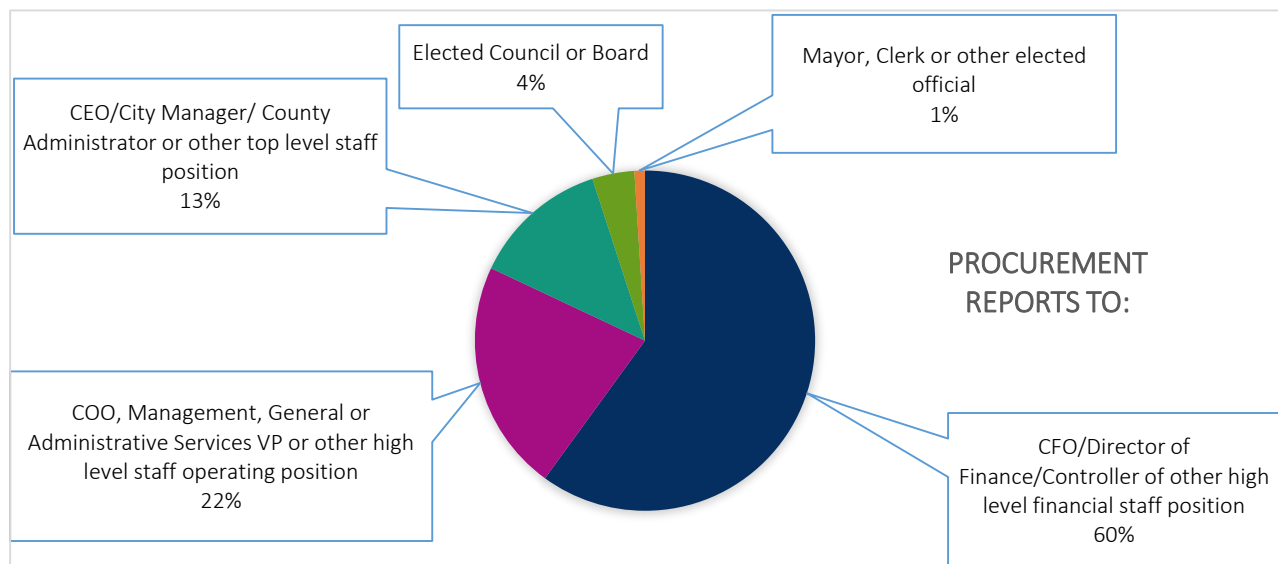
- Ensure that suppliers have a clear understanding of the service levels required, including rates charged, discounts received, invoice accuracy, response time, and customer service; wherever possible, ensure that service levels are documented in contracts
- Follow-up on customer questions, issues, and complaints
- Assist customers with contract changes to ensure documents are accurate and up to date
- Solicit feedback from customer groups on the performance of suppliers
- Track cost savings negotiated on behalf of users
- Track supplier performance for key suppliers on a semi-annual basis

Savings of 5-8% of purchased products and services can be obtained through leveraging, negotiations, use of competitive agreements, and establishing market-based pricing (*CCG research*).

### Assessment of Reporting Relationship

The NIGP 2012 Benchmark Survey indicated that most public sector procurement departments report to finance. Comparison between benchmark surveys indicates a 10% increase in teams reporting to Finance 2010-2012. An earlier NIGP study of 40 public sector Purchasing divisions indicated that 27% of

Purchasing groups reported to the City or County Manager, and another 6% to Assistant City or County Manager. In comparison to commercial firms, approximately 32% of the Purchasing Divisions reported to the CEO, Executive Vice President, and Senior Vice President.



*NIGP 2012 Public Procurement Benchmark Survey Report*

This trend is evident in the comparative agency benchmarks. Of the 10 local agencies where data was available, 7 (70%) purchasing functions reported to Finance or Finance and Administration, 2 (20%) reported into an Operating Position (Central Services, Support Services) and 1 (10%) was recently established as a principle Office of the Executive Branch. The City of Rockville follows the local and national trend in reporting to Finance, although other models also exist. We believe that this trend is a result of financial pressure encountered by States, Counties, and Municipalities since the financial crisis beginning in 2007-2008 that reduced property values.

### Analysis

The City of Rockville Purchasing Division is organizationally structured within the Department of Finance. The City purchases over \$62 million of products and services per year, or approximately 60% of its annual expenditures (not including debt service). The Purchasing Manager reports to the Director of Finance. This structure has always been in place based on conducted interviews for this study.

Based on our research, most local governments in the Metropolitan Washington area have implemented an organizational structure where Purchasing reports to the Finance Division. In Prince George County, Purchasing reports to the Director of the Office of Central Services (akin to Administrative Services Director). In March 2015 the Montgomery County Office of Procurement was established as a principle Office of the Executive Branch, including responsibilities for procurement, business relations and compliance. A broader analysis of the reporting relationship is needed so the NIGP nationwide results are a more accurate view of the reporting relationship.

Results were mixed from interviews in this area. Some interviewees believed that the current organization reporting relationship was acceptable, while other felt that reporting to another department or have Purchasing be set up as a separate department would be better alternatives.

The advantages and disadvantages of each option is described below:

#### **Option 1: Keep within Finance Department**

| <u>Advantages</u>   | <u>Disadvantages</u>   |
|---|--|
| <ul style="list-style-type: none"> <li>— City Staff familiar with structure</li> <li>— Adjustments to approvals/ cycles not necessary</li> <li>— Aligns with IT and Budget functions</li> <li>— Helps improve enforcement of policies and procedures</li> </ul> | <ul style="list-style-type: none"> <li>— Doesn't provide independence of Budgeting and Purchasing Approval</li> <li>— Does not address significance of purchasing role and amount of annual spend</li> <li>— May drive more of a singular focus on cost/budget rather than more holistic value including risk, service, and quality</li> <li>— Reinforces perception of Purchasing as a backoffice administrative function rather than a strategic business partner</li> </ul> |

#### **Option 2: Move Purchasing to another department.**

| <u>Advantages</u>   | <u>Disadvantages</u>   |
|---|--|
| <ul style="list-style-type: none"> <li>— Provides higher level of independence from potential over-emphasis on budget justifications</li> <li>— Recognizes significance of purchases within City</li> <li>— Allows for fresh management approach to Area</li> <li>— Could provide neutral ground that creates clear separation of approving budget, approving suppliers and contracting with suppliers</li> </ul> | <ul style="list-style-type: none"> <li>— Requires reorientation and training of Department Head</li> <li>— Require change management in communication to City Staff</li> </ul> |

#### **Option 3: Create new Department reporting to the City Manager**

| <u>Advantages</u>  | <u>Disadvantages</u>   |
|--|--|
| <ul style="list-style-type: none"> <li>— Provides Independence of function</li> <li>— Fully recognizes impact to City</li> <li>— Helps enable greatest visibility to what's going on across the City</li> <li>— Provides greatest ability to influence behavior across the City</li> <li>— Provides higher level of independence from potential over-emphasis on budget justifications</li> <li>— Places Purchasing on par with departments</li> </ul> | <ul style="list-style-type: none"> <li>— Requires change management</li> <li>— May require a different level of staff member to run the Department</li> <li>— Requires reorientation and training of City Manager</li> </ul> |

**Recommendation 2: Purchasing to Report Directly to the City Manager**

Given the significant amount of potential contribution of Purchasing (involvement in 60% of City expenditures), and feedback from staff requesting more integration with Purchasing, we recommend that Purchasing reports directly to the City Manager. Further, the present status of Purchasing, with a large backlog of requisitions and a dissatisfied customer base, requires a fresh management perspective. A change management process must be implemented that assures proper measures, reporting, and communication processes.

## Section 3: Operations Improvement and Efficiency Requirements

### 3.1 Review of policies and procedures

#### City of Rockville Policy and Procedure Review

Calyptus reviewed the following statutes, Codes, and procedures in detail as part of this study:

- City of Rockville Purchasing Manual, dated September 2006
- Purchasing Guide, Department of Finance, Purchasing Division, dated September 2011
- Purchasing Card Program, Policy and Procedures Manual, dated February 2012
- City of Rockville Code, Chapter 17
- State of Maryland, Title 21 State Procurement Regulations
- State of Maryland, State Finance and Procurement Article, Chapter 17.101

The sections below describe the results of the review of these statutes, Codes, and procedures and associated recommendations.

#### Purchasing Manual and Purchasing Guide

The Purchasing and Finance Divisions have produced two documents to implement the City of Rockville Purchasing Code. The City of Rockville Purchasing Manual (Manual) was last updated in 2006. The Purchasing Manual contains broad coverage of the City of Rockville Code (Code) as well as several required forms and templates. The Purchasing Guide (Guide) was created in 2011. The Guide includes the City's updated purchasing thresholds and was designed to be used in conjunction with the Code. The Guide does not contain any forms or templates. Staff noted that both the Manual and Guide documents are static and are not utilized as a tool by Purchasing or other departments. We were not able to determine whether either of these documents were actually approved by the City. As noted in the analysis below, both the Manual and the Guide are missing key requirements that are outlined in the Code.

#### Comparison of Code to Purchasing Manual and Purchasing Guide

Calyptus analyzed existing policies and procedures against Rockville's City Code, Chapter 17. The chart below details gaps identified in the documents and associated recommendations for improvement. See Appendix 1 for a copy of the City of Rockville Code related to this analysis.

| City Code  | Purchasing Manual   | Purchasing Guide   | Recommendation  |
|--|---|--|---|
| <b>Sec. 17-23<br/>City procurement records</b>                                 | No specific reference to record retention policy or three year retention requirement.                   | No specific reference to record retention policy or three year retention requirement.          | Updated guide to include record retention policy/requirements.  |
| <b>Sec. 17-37<br/>Written contracts required</b>                               | Coverage of contracts included in Manual.   | Guide does not fully state requirement that all contracts over \$3,000 be in writing.          | Update guide to include requirements for documenting written contracts over \$3,000.  |
| <b>Sec. 17-38<br/>Formal contracts</b>   | Coverage of contracts included in Manual, does not include threshold for required formal contract.      | Guide does not include threshold for required formal contract.                                 | Update guide to include requirement for formal written contract signed by City Manager for procurements over \$30,000.      |
| <b>Sec. 17-40<br/>Contract modifications; change orders; price adjustments</b> | Coverage provided in Purchasing Manual (2007), pg. 45 but does not include thresholds/Council approval. | Contract Modifications, change orders, and price adjustments not included in Purchasing Guide. | Coverage of contract modification/change order process needed in purchasing guide. Procedure should include analysis of all |



| City Code  | Purchasing Manual   | Purchasing Guide   | Recommendation  |
|--|---|--|---|
|  |   |  | <p>contract modifications as well as approval process for modifications below the \$100,000 threshold set in City of Rockville Code. Aspect of process to be included:</p> <ul style="list-style-type: none"> <li>• Scope Education</li> <li>• Spec/SOW</li> <li>• Solicitation</li> <li>• Technical Review</li> <li>• Cost and Price Analysis</li> <li>• Negotiations</li> <li>• Need for Contract Administration</li> </ul>   |
| <b>Sec. 17-61<br/>Formal solicitation-Competitive sealed bidding</b>   | Does not include updated threshold levels for competitive sealed bidding. More detailed coverage of process and requirements than Guide. Includes section on specifications and reference checks/reference forms. | Missing information pertaining to public notice, late bids, correction or withdrawal of bids, negotiation process, documentation required for award to other than the lowest bidder, bid ties, and documentation required when a single bid is received, and responsibility and responsiveness checks.   | Update the purchasing guide to include more detailed coverage on public notice requirements, negotiation process, single bid documentation and process, and documentation of responsibility and responsiveness checks. Include section on specifications similar to the section in the Manual on pg. 35.  |
| <b>Sec. 17-62<br/>Formal solicitation-Competitive sealed proposals</b> | Does not include updated threshold levels for competitive sealed bidding. More detailed coverage of process and requirements than Guide.  | <p>Does not address documentation of written justification for utilizing sealed bid (except for professional services, insurance, and design-build), specifying relative importance of price and other factors for evaluation, public notice requirements, late proposals, process for discussion with responsible offerors and revisions to proposals for best and final proposals, and process for negotiations.</p> <p>Additionally, guide does not address multiple award RFPs or the process for awarding task orders under multiple award RFP contracts.</p> | <p>Update the purchasing guide to include more detailed coverage specifying relative importance of price and other factors for evaluation, public notice requirements, process/documentation for discussion with responsible bidders, process for negotiations, single bid documentation, and documentation of responsibility and responsiveness checks.</p> <p>Update Code and guide should provide information on process for awarding task orders from multiple award RFP contracts.</p> |

| City Code   | Purchasing Manual  | Purchasing Guide  | Recommendation   |
|---|--|---|--|
| <b>Sec. 17-63<br/>Informal solicitation</b>   | Does not include updated threshold levels for informal solicitations. Differentiates telephone and written quotation process and includes forms for both telephone and written quotations. | Does not provide process for telephone versus written quotations. Threshold chart shows that telephone quotes are required for purchases from \$3,001-\$5,000 and written quotations are required for \$5,001 to \$30,000.  | City of Rockville Code states that award shall be made to lowest responsive and responsible bidder. Guide states that award is “usually” based on price, responsiveness, and responsibility. Code/Guide should require documentation of reasons for not awarding to lowest responsive and responsible bidder per the Code.<br><br>Guide should include instructions specific to telephone quotation and written quotation processes. |
| <b>Sec. 17-64<br/>Request for expressions of interest</b>                                       | No coverage of request for expressions of interest in Manual.  | No coverage of request for expressions of interest in Guide.  | Update guide to include procedure for request for expressions of interest.   |
| <b>Sec. 17-65<br/>Unsolicited proposals</b>   | No coverage of request for expressions of interest in Manual.  | No coverage of request for expressions of interest in Guide.  | Update guide to include procedure for unsolicited proposals.   |
| <b>Sec. 17-66<br/>Right to cancel solicitations; right to reject bids, proposals and offers</b> | Includes references to canceling purchase orders and reasons for rejecting bids/proposals and documentation of reasons.  | Guide does not include this section or the requirement to keep the reasons for cancellation or rejection as part of the contract file.  | Update Guide to include requirement to document reasons for cancelling solicitations and rejecting bids, proposals, and offers.  |
| <b>Sec. 17-67<br/>Responsibilities of bidders and offerors</b>                                  | Manual includes reference form to determine responsibility of bidders.   | Responsiveness included as a requirement in each type of procurement as responsibility of Department in Award Process.<br><br>Guide does not detail determination of responsibility, factors to consider, presumed non responsibility, failure to provide information, nondisclosure of information, and prequalification as in Code. | Update guide to include a responsibility and responsiveness checklist that includes all of the elements listed in the City of Rockville Code Sec. 17-67.   |
| <b>Sec. 17-71<br/>Cooperative procurement</b>   | Manual includes requirement for complete bid specification and notice of award review by Purchasing Division before City uses contract. No requirement for                                 | Guide includes provision for Purchasing Division to determine if contract is “rideable” but no requirement for documentation.   | Update Code and guide to include documentation and analysis requirements for cooperative procurements/Rider contracts.   |

| City Code  | Purchasing Manual  | Purchasing Guide   | Recommendation  |
|--|--|--|---|
|  | documenting review included.   |  |   |
| <b>Sec. 17-72<br/>Contracting with public entities</b> | Manual includes requirement for complete bid specification and notice of award review by Purchasing Division before City uses contract. No requirement for documenting review included (included in same section as cooperative procurement).                          | Included in Guide but does not include information on required documentation or analysis for contracting with public entities.   | Update Code and guide to include documentation and analysis requirements for contracting with public entities.  |
| <b>Sec. 17-81<br/>Small procurements</b>               | Included in Manual with outdated threshold amount.   | Included in Guide.   | Include reference to Purchase Card procedures in updated guide.   |
| <b>Sec. 17-82<br/>Sole source procurement</b>          | Manual includes sole source purchase section and justification form. Does not include requirement from the Code to keep a sole source procurement list or the requirement to report all sole source procurements over \$30,000 to the City Manager on an annual basis. | Guide references requirements for sole sources and required justification form but form not included in Guide. Does not include requirement from the Code to keep a sole source procurement list or the requirement to report all sole source procurements over \$30,000 to the City Manager on an annual basis. | Update guide to include standardized sole source justification form, requirement to maintain a list of sole source procurements, and the requirement for reporting sole source procurements over \$30,000 to the City Manager on an annual basis.   |
| <b>Sec. 17-84<br/>Emergency procurements</b>           | Manual includes emergency procurement section and emergency purchase order form.   | Guide references requirements for emergency purchases and justification form but form not included in Guide.   | Update guide to include emergency purchase order form.  |
| <b>Sec. 17-86<br/>Contract extensions</b>              | No coverage of contract extensions in Manual.  | No coverage of contract extensions in Guide.   | Update guide to include process and written requirements for contract extensions.   |
| <b>Sec. 17-86<br/>Exemptions</b>                       | No coverage or listing of exemptions in Manual.  | No coverage or listing of exemptions in Guide.   | Update guide to include listing of exemptions. Consider revising Code to remove the following exemptions from the list: <ul style="list-style-type: none"> <li>• Procurement of temporary employment services</li> <li>• Procurement of entertainment, instructional, facilitating, or educational services for City officials, staff, or residents, or for social, cultural, or recreational programs or events</li> </ul> |

| City Code  | Purchasing Manual  | Purchasing Guide  | Recommendation   |
|--|--|---|--|
|  |  |   | <p>offered or sponsored by the City</p> <ul style="list-style-type: none"> <li>• Employment contracts and employee relocation costs</li> <li>• Lobbying</li> <li>• Legal services</li> <li>• Professional services</li> </ul> <p>Ensure that all exemptions are supported by sole source purchasing process.</p> |
| <b>Sec. 17-88<br/>Special procurements</b>                       | No coverage of special procurements in Manual.   | No coverage of special procurements in Guide.   | Update guide to include procedure for special procurements.  |
| <b>Sec. 17-136<br/>Bid security</b>                              | No coverage of bid security requirements in Manual.  | No coverage of bid security requirements in Guide.  | <p>Update guide to include bid security requirements and procedures.</p> <p>Ensure that provisions for bid security and contract and performance payment bonds (below) track with any applicable City Finance statutes.</p>  |
| <b>Sec. 17-137<br/>Contract performance and payment bonds</b>    | Not fully covered in Manual. Manual does not include specific requirements related to performance and payment bonds. | Guide includes section on bonding requirements. Does not include detailed information on requirements related to different thresholds.                                | Update guide to include specific thresholds for performance and payment bond requirements. Include bid security, performance and payment bond, and insurance checklist in guide.   |
| <b>Sec. 17-154<br/>Split purchasing/sale prohibited</b>          | Prohibition of splitting covered in Manual.  | No coverage in Guide on prohibition of splitting.   | Update guide to include information on prohibition of splitting purchases.   |
| <b>Sec. 17-171<br/>Protests</b>                                  | Protest procedure not fully covered in Manual.   | Protest procedure covered well in Guide. Missing provision for purchasing agent to provide decision of protest within five (5) days of the submission of the protest. | <p>Update guide to include provision for purchasing agent to provide decision of protest within five (5) days of the submission of the protest.</p> <p>Include protest information on website.</p>   |
| <b>Sec. 17-173<br/>Contract disputes</b>                         | No coverage of contract dispute requirements in Manual.  | Partial coverage in Guide under Contract Administration section.  | Update guide to include contract dispute process and documentation requirements.   |
| <b>Sec. 17-174<br/>Appeals from City Manager's decisions</b>     | No coverage of appeal of City Manager's decisions in Manual.   | No coverage of appeal of City Manager's decisions in Guide.   | Update guide to include appeal from City Manager's decisions information.  |
| <b>Sec. 17-175<br/>Authority to debar or suspend contractors</b> | Included in Manual with reference to follow Code's formal procedure for debarring a vendor.                          | Noted in Guide under Contract Administration section, no procedure included.  | Update guide to include documentation requirements and procedure for debarring or suspending contractors.  |

| City Code  | Purchasing Manual  | Purchasing Guide                          | Recommendation   |
|--|--|---|--|
| <b>Sec. 17-176<br/>Appeal of decision<br/>to debar</b> | Appealing debarment noted in Manual but does not include procedure or documentation. | No coverage of debarment appeal in Guide. | Update guide to include debarment appeal process and documentation requirements. |

### **Summary of Recommendations for Purchasing Manual and Purchasing Guide**

As noted above, there are a significant number of areas for improvement and revisions needed to the current policy and procedure manuals used by the City of Rockville. Each of the documents reviewed has strengths and weaknesses. The Manual is a broader based guide that could be used by a wide-range of City staff. The descriptions, procedures, and forms are comprehensive and could be used to guide non-purchasing staff through the procurement process. However, this Manual has not been updated since 2006. It does not include the current purchasing thresholds and other updates.

The Guide is a succinct document that states it should be used in conjunction with the Code. It defines the procedures for the main types of procurements undertaken by the City and specifies the roles and responsibilities for each process step. The Guide is missing key elements from the Code and does not directly include any templates or forms for staff. The Guide is not user friendly for staff who do not have a background in purchasing or the City Code.

There are a few key procurement process elements missing from the Code and policy/procedure documents. In order to establish a baseline to determine whether or not a price is fair and reasonable it is crucial to have an independent cost estimate of the item being purchased. Independent cost estimates are not addressed in the Code or policies/procedures. Additionally, cost/price analysis is another best practice tool utilized to determine if a bid is fair and reasonable. These two tools will help the City of Rockville ensure that the products and services it purchases are in check with the current market.

This current Code and purchasing Manual/Guide do not address the use of the qualifications-based method of procurement. This method is ubiquitous in public sector procurement and is mandated by the Brooks Net valor Federally-funded projects. In these methods, qualification are evaluated first without consideration of cost. Once vendor qualifications are ranked, purchasing can request cost/ price proposals from the highest ranked firm and attempt to negotiate a fair and reasonable financial arrangement. If negotiations fail with the high-ranked supplier, attempts to negotiate with the next highest ranked firm are invited, and so on until a redeemable price is obtained to Purchasing's satisfaction.

Further, the Purchasing Guide does not address the use of GAX payments. Changes to the Guide should describe how exempted purchases are made, and the use of the GAX system for supplier and outside party payments.

Our recommendation to improve the utility of the City of Rockville's purchasing policy and procedure tools is to enhance the current Guide document with the specific recommendations in the chart above and to add updated forms/templates/checklists to be used in the purchasing process. A comprehensive, updated Guide will provide technical support to users and will reduce time spent on educating users on requirements. Additionally, the updated Guide will help provide standardization across the City's departments and to increase compliance with City Code. See recommendations section below.

### Policy and Procedure Maturity Levels

Based on our analysis we have rated the maturity of the City of Rockville' policies and procedures based on the following 4-point scale:

| Rating | Maturity Level   |
|--------|--|
| 4      | Formal policies are documented in a policy manual and communicated to staff. In addition, there are formal procedures and process maps that describe the steps to implement the policy. Formal performance metrics are tracked as part of the Key Performance Indicator (KPI) structure.   |
| 3      | Formal policies are documented in a policy manual and communicated to staff. Some procedures are formalized and included in the policy manual; however, there are no process maps. The majority of procedures are informal and are not documented in the policy manual. Staff is made aware of procedures through verbal instruction only. Procedures vary from location. No formal performance metrics exist. |
| 2      | Formal policies are documented in a policy manual; however, these policies are not communicated to staff. No formal procedures are documented in the policy manual. Staff is made aware of procedures through verbal instruction only. Procedures vary from location. No formal performance metrics exist.   |
| 1      | No formal policies or procedures are documented. Staff is made aware of policies and procedures through verbal instruction only. Policies and procedures vary from location. No formal performance metrics exist.  |

| Policy  | Maturity Level |
|---|----------------|
| City of Rockville Purchasing Manual (Manual)                          | 2              |
| Purchasing Guide (Guide)  | 3              |
| Purchasing Card Program, Policy and Procedures Manual (P-card Manual) | 3              |

The City of Rockville's policies and procedures were rated at either a 2 or 3 for maturity level. The City has written policy and procedure documents; however these documents are static and not maintained for staff use. As noted above, staff reported that these documents are not utilized in current purchasing practice. Generally, staff are given procedures through verbal and e-mail correspondence with the Purchasing Division. The Guide and P-card Manual each contained some procedure documentation while the Manual did not contain the same level of procedures. The documents are meant to be used across all City departments, however since procedures are informal and not fully documented in the policies, there was variation observed in purchasing files for different departments. The P-card Manual provides some guidance and structure to measure performance and compliance with policies while the Manual and Guide do not provide any policies related to performance metrics.

### **Recommendation 3: Update Purchasing Guide**

Based on our analysis there are currently gaps in guidance provided by the City of Rockville Purchasing Code and the procedures used by Purchasing and other city staff. The last update to the Purchasing Guide was in 2011. The specific areas for targeted updates are specifically listed in the chart above. The updated Purchasing Guide should be designed as a usable tool to take staff from purchasing planning through post contract management. The City's current guides do not contain all of the requirements and information to take a user through the process from start to finish. The Guide should include standardized checklists and forms. Additionally, since there are several requirements that are related to Risk Management and Legal review, any related procedures for completing those reviews should be included in the Guide. The Guide should also be updated by integrating essential elements of the Purchasing Manual.

#### **Recommendation 4: Incorporate Best Practices in Purchasing into Code and Purchasing Guide**

The City of Rockville's Code and purchasing guides are missing standard best practices in purchasing. Crucial steps in the purchasing process such as independent cost estimates (ICE), cost/price analysis, and use a qualifications based Method of Procurement are not present in the current Code and purchasing Guide requirements. These tools allow purchasers to assess that the City is receiving fair and reasonable pricing for the items it purchases. The City should create worksheet templates for ICE and cost/price analysis for users to complete as part of documentation requirements. Other best practices the City should include in its Code and Guide is a standard set of terms and conditions and inclusion of invoicing terms in grant-funded procurements that address requirements for advance payments. The City should create a boiler template that includes all terms and conditions with specifications on when to include specific terms in conditions in a contract.

#### **Recommendation 5: Update Purchasing Card Policy and Procedures Manual and Incorporate into Purchasing Guide**

The Purchasing Card policy and procedures manual had not been updated since 2012. General administrative updates are needed as well as additional updates to specify critical oversight components. Oversight and audit activities need more specific timeframes and additional documentation requirements provided by users. The audit checklists in the current policy should be used to make a standardized form for users to fill out with each charge.

Additionally, many of the users of the general purchasing system are also users of the purchasing card program. It would be beneficial to have a comprehensive manual that users can reference for all purchasing requirements.

#### **Recommendation 6: Conduct Policy and Procedure Training**

The updated purchasing guide needs to be communicated to City staff through a comprehensive training program. Training sessions should be held to inform users of changes to purchasing requirements, use of standardized forms and checklists, and updated p-card requirements. The first wave of training should include all Purchasing staff and all City staff who utilize the purchasing function. Additionally, training materials should be made available to all new City staff and Purchasing should hold regular refresher trainings on specific topics or forms. Specific training recommended:

- Rockville Purchasing Training – Full system coverage 2-day training event – all key Departmental Staff
- Refresher Training – Key problems and issues to be discussed 3-4 hour training
- eLearning Modules – (8-10 minutes in key areas)
  - Methods of procurement
  - Independent Cost Estimates
  - Cost and Price Analysis
  - Writing Specifications and Statements of Work

### **3.2 Process and Policy Constraints**

Calyptus reviewed the present set of purchasing procedures and have evaluated those procedures against the City of Rockville Code. We have also performed a process analysis on all of the methods of procurements using the present practices and also including best practices. The present Purchasing staff are hard-working and strive for the highest quality of work but there are substantial issues in the way of efficient and effective purchasing.

This brief section summarizes the present process and policy constraints and may be covered in other sections of this report. The information provided notes the present constraints that must be addressed to improve the Purchasing System at the City.



1. There is a lack of procurement planning on an annual basis. This results in the lack of coordination and prioritization of procurement actions.
2. Key procedures are not in place. These include the need for insurance and the internal routing cycle for contract documents.
3. Bonding requirements are not based on best practices. Other than construction and perhaps development of specialized software, bonds should not be required and represent an increase non-value added cost to the City.
4. The management of contract modifications and change orders are not governed by any formal practices and result in potential higher prices for the changes to the City due to the lack of professional negotiations.
5. Sole source procurements and single source procurements, as well as competitive sealed proposals, did not require formal negotiations according to the City Code or Purchasing Guide. This is a best practice and could result in lower prices paid by the City.
6. Purchasing volumes are not effectively evaluated and combined to leverage the City's spend, and cost savings and quality improvement opportunities are lost.
7. All of the exemptions from competition (Rockville Code 17.87) are not subject to a purchasing process. All of these types of purchases should be considered sole source procurements and treated accordingly, unless the prices are set by law or regulation.
8. There is a substantial reliance on "rider" contracts. There is little analysis of whether the pricing provided is market based, and if the current suppliers are providing effective products and services for other jurisdictions that are using those agreements.
9. The use of the GAX system for payment is an invitation for staff to avoid following the purchasing system. Many of the approximately \$20 Million per year of payments must be reviewed and justified for price reasonableness, and whether the underlying transaction should have been based on the result of effective and compliant purchasing.
10. One of the major constraints is the lack of Purchasing staff to complete purchasing transactions. The division has been down 25% of its authorized headcount since August 2014. Coupled with a lack of a method to prioritize requisitions, many procurements are severely behind schedule.
11. The IT system used (CGI-AMS) is appropriate for the City's size and purchases, but the system is not used effectively to provide spend data, requisition status, workload, cycle time, and contract approval status.
12. There is little ongoing communication between Purchasing and the Using Departments on requisition status, problems, future plans and process improvement. This causes most communications to be of an emergency nature and very short term focused.
13. Information provided to the Mayor and Council on procurements to be approved is inconsistent and incomplete.
14. Unfulfilled requisitions at the end of the fiscal year are cancelled (except in limited circumstances for Capital Improvement Program (CIP) funding), requiring new requisitions to be entered into the system thus creating new streams of requisition prioritization.
15. Processes are based on informal practices that are not included in procedure documents. This results in inconsistent quality of actions and inconsistent communications to using departments.
16. Purchase card cardholders are allowed to exceed their \$3,000 limit, subject to Purchasing signoff. Other than for validated mistakes, card holders that exceed the limit should be prevented from using the purchase card system.
17. Purchasing training has not been provided since the summer of 2014, and coupled with undocumented procedures, result in a lack of knowledge of the purchasing process City-wide.
18. Information on the City's website on awards is inaccurate and does not include a transparent way for vendors to protest awards made. The process to file a protest is not available or communicated.



19. Opportunities exist for using other mechanisms to broaden competition including use of third party procurement websites, use of City and Montgomery County bidder's list, and a new list of MFD vendors.
20. Measures are not tracked to the purchasing process so there is a lack of management awareness and oversight of key areas such as compliance and cycle time. The measures for the Purchasing Division are not aligned with user departments' measures.

### **3.3 Purchasing Card Process Improvement**

#### **Purchasing Card Program, Policy and Procedures Manual**

Calyptus used the current Purchasing Card policies and procedures were used to evaluate the City's program.

The policies and procedures of the City of Rockville's Purchasing Card Program are described in a manual dated February 2012 (P-card Manual). The P-card program is for small purchases of \$3,000 or less. The program is open to any employee of the City who receives approval from the Purchasing Card Program Administrator.

The P-card Manual contains some outdated and non-specific information related to the P-card program. For example, the Manual not been updated to include current administrators. The roles and responsibilities section of the policy sets out the requirements for the program administrator, department director, and the cardholder. Additionally, there is mention of an appointed department coordinator role.

A crucial element of the P-card program is the oversight of P-card purchasing. The P-card Manual does not clearly outline the frequency of oversight activities. The P-card Manual has an audit form and checklist but does not state how often and in what quantity P-card purchases will go through the audit process. The P-card Manual should be updated to specifically state what auditing activities should occur at the departmental level and at the Finance Department level and the intervals at which these activities should occur. Staff reported that their P-card purchase documentation is submitted on an annual basis to the Finance Department. Annual inspection of P-card purchases is not sufficient to determine the level of compliance with P-card program.

#### **Purchasing Card Training Program**

Calyptus also reviewed the Purchasing Card training program deck dated August 2013. Overall, the training program mirrors the information provided to City employees in the policy and procedure manual.

The training program is missing a critical component in demonstrating documentation requirements to training participants. The reconciliation process section of the training lists out items but does not show an example of what an expense report should look like, the level of information required, or introduce any standard forms for use.

#### **P-Card Program Benchmarking Data**

Benchmarking information shows that most organizations use Purchasing Cards. Transaction processing costs are greatly reduced with the use of the P-card.

To benchmark the City's P-card performance, Calyptus used the RPMG Research Corporation 2010 Purchasing Card Benchmark Survey presented by Chase. The table below shows key performance indicators for like sized city and county agencies compared to the City of Rockville's performance.

|   | City and County agencies with fewer than 1,000 employees (RPMG, 2010) | City of Rockville   |
|---|---|---|
| <b>Total number of employees (FTE)</b>                        | 476   | 605.6   |
| <b>Number of P-cards</b>                                      | 149   | 94 (over 2 years)   |
| <b>Average monthly p-card spending</b>                        | \$151,583   | \$210,426.08  |
| <b>Median monthly p-card spending</b>                         | \$100,000   | Not Available   |
| <b>Monthly p-card spending per employee</b>                   | \$318   | \$347.47  |
| <b>Transactions under \$2,500/ Small Purchase Threshold</b>   | 43%   | Nearly all transactions under small purchase threshold              |
| <b>Transactions between \$2,500-\$10,000 placed on p-card</b> | 25%   | Only 4 transactions over 2 years above the small purchase threshold |
| <b>Cardholder Activity Measures</b>                           |   |   |
| <b>Monthly transactions per card</b>                          | 4.2   | 9.2   |
| <b>Spending per transaction</b>                               | \$242   | \$248.45  |
| <b>Monthly spending per card</b>                              | \$1,016   | \$2,238.57  |

RPMG Research Corporation/ Chase (2010)

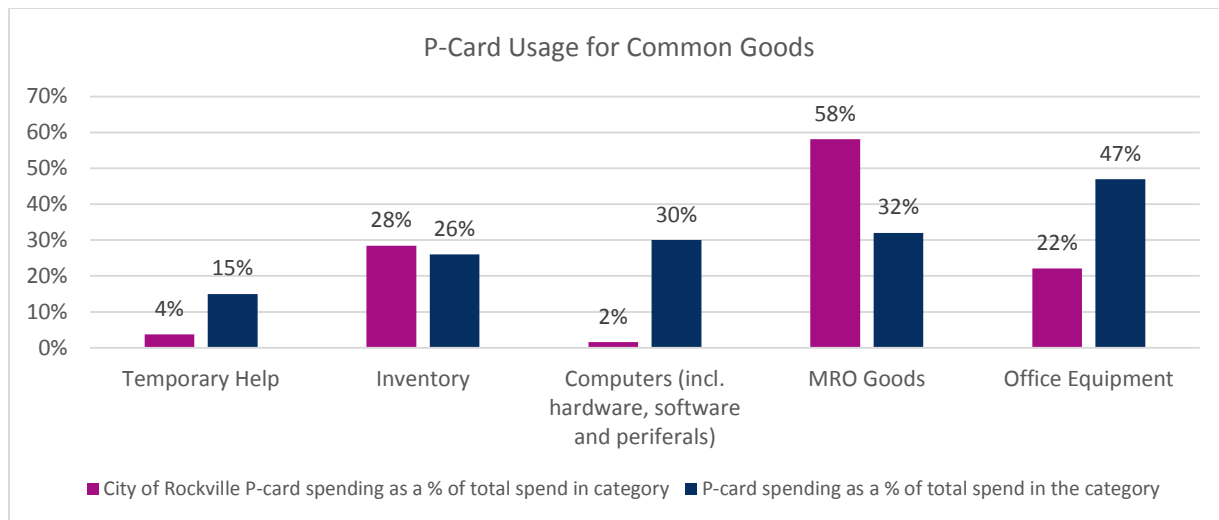
The benchmarking data show that the City is on par with like sized organizations for a number of key performance indicators related to P-card use and performance. There are three (3) areas that the City should review in detail to determine why its spend is significantly higher than the average for cities/municipalities of its size.

1. *Average Monthly Spend:* The average monthly spend across all P-cards for the City was \$58,843 higher than the average spend at like sized cities/municipalities.
2. *Monthly Spend per Card:* Similarly, the monthly spend per card/user was \$1,222 higher than the average at like sized cities/municipalities.
3. *Number of Transactions per Month:* P-card users in the City have, on average, five (5) more transactions per month than users at like sized cities/municipalities.

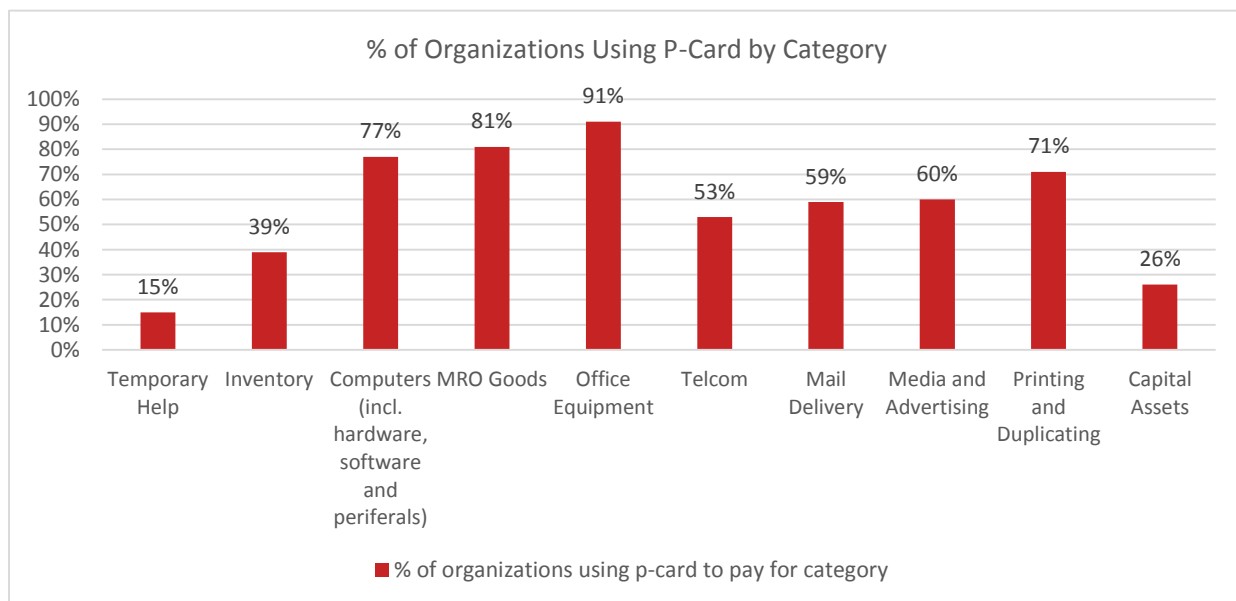
The combination of these three indicators show that the City's P-card system is utilized a higher level than other cities/municipalities of its size. This could be linked to the City's Purchasing System and functions. As users described long cycle times using the formal purchasing system for items needed, higher levels of P-card usage support that trend.

The report showed that 91% of public and private sector respondents to the RPMG 2010 survey use P-cards to pay for office equipment and supplies. A wider range of services are also being purchased by P-Cards. For example, 71% of organizations in the 2010 RPMG survey used P-cards for printing and duplicating expenditures.

The chart below displays P-card usage as a percent of total spend per category for the City of Rockville and organizations included in the RPMG benchmarking survey. Data show that the City of Rockville has a significantly higher percentage of P-card spending than benchmarked agencies in the Maintenance Repairs and Operations (MRO) goods category. Additionally, the City of Rockville's data showed that it had a significantly lower percentage of p-card spending in the computer/IT category.



The following chart shows the percent of organizations in the Chase benchmarking survey that utilize P-cards per category. The City of Rockville's data showed p-card spending in temporary help, inventory, computers, MRO goods, and office equipment. The City of Rockville's data does not clearly show p-card spending in the telecom, mail delivery, media and advertising, printing and duplicating, and capital assets categories.



*RPMG Research Corporation/ Chase (2010)*

Rebates from P-Card Program in 2012 provided an average revenue per procurement FTE (Purchasing staff only) of \$7,483 (NIGP, 2012). This compares to \$8,324 per staff member in Rockville, increasing to \$9,262 per staff member in 2014.

Reviewing additional commercial practices outside of the public sector provides further items to consider when forming best practices. A study conducted by the Aberdeen Group and the National Association of Purchasing Card Professionals (NAPCP) of 170 corporate purchasing card programs resulted in the following four (4) overall best practices:

1. Purchasing cards are used for electronic payment for small dollar transactions
2. Purchasing cards address materials / contracts
3. Purchasing cards are integrated in the organization's mainstream activities
4. Card data is collected and used for strategic sourcing activities and contract compliance.

The review showed that the City is currently meeting best practices # 1-3 listed above. It is important for the City to consider best practice # 4 to ensure that P-card data is collected and used on a regular basis to meet P-card program goals and efficiencies, and to target contract opportunities. See the chart below for the current process flow and recommended changes using the noted legend:

**Reference for process step**

In Code

In Purchasing Guide

Not Covered in Code of Procedures

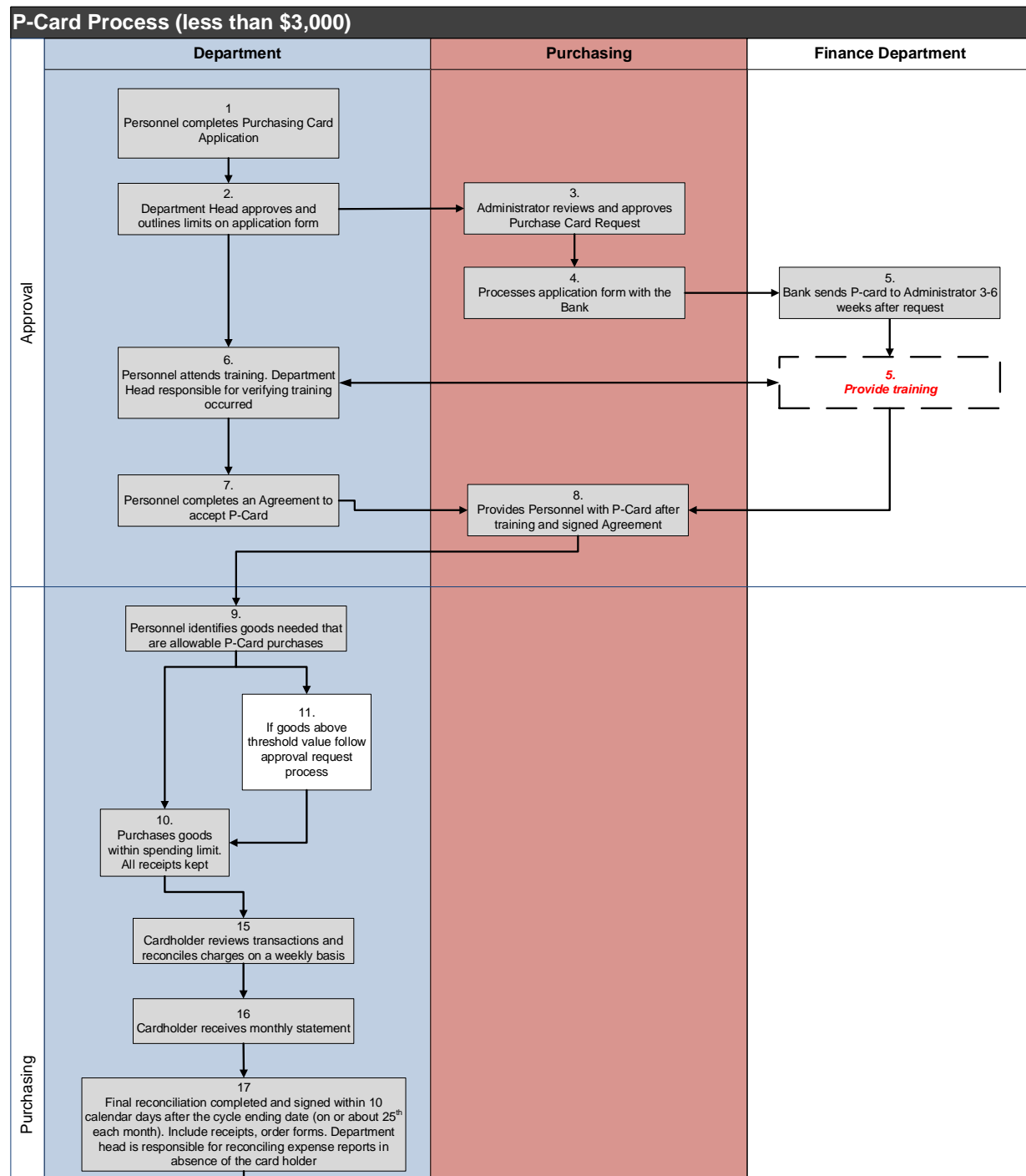
**Changes suggested**

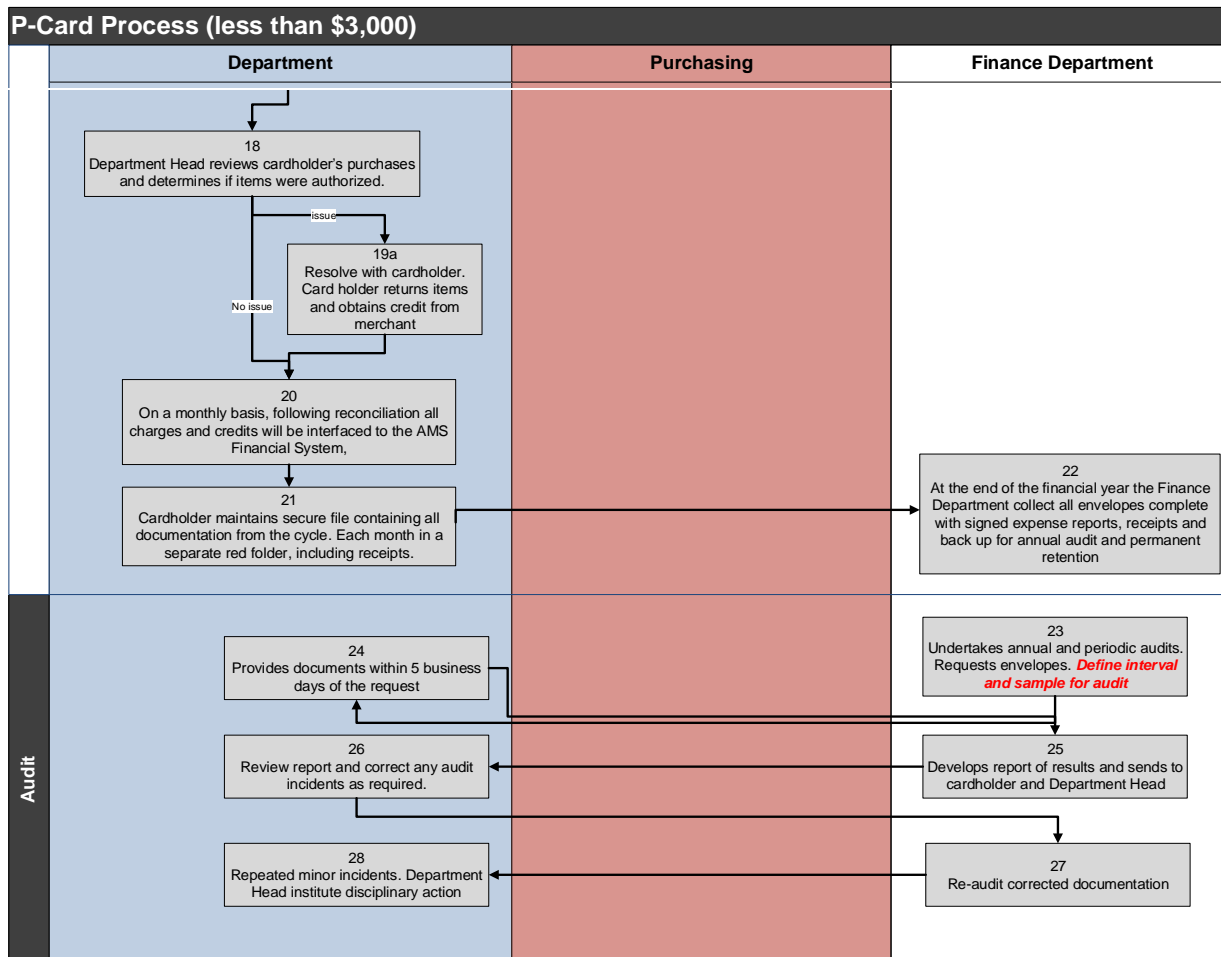
No changes suggested

Remove from process

New or amended step  
***Suggested changes in red***

**P-Card Process**





#### Changes in Roles and Responsibilities:

- Purchasing will conduct training
- No charges over \$3,000 are allowed

Current process: The process map above outlines the process documented within the Purchasing Card Program, Policy and Procedures Manual, 2012. This includes the process to gain approval for a P-Card, the purchasing process including reconciliation and documenting purchases and the City-wide audit cycle.

Efficiency and effectiveness: Purchasing indicated that they sometimes receive requests to allow P-Card payments over the threshold of the card user. In these instances approval must be sought from the Head of the awarding department, and a clear justification given for this purchase. These instances should be documented and tracked by Purchasing to ensure that there are no patterns indicating frequent requests from one p-card holder or department.

Recommendations for Improvement: The following steps should be included in the P-Card Policy and Procedures Manual:

- The responsibility for conducting training, both for new users and refresher training for P-Card holders. This training should be undertaken by the Finance Department.
- Define the interval at which the P-Card audits will take place and the size/determination of the cycle.

#### P-Card File Review Results

Calyptus reviewed a sample of p-card documentation during an on-site visit on August 17-19, 2015. The P-card documentation was assessed for payment amount, underlying transaction amount, and underlying documentation. Eighteen (18) files were reviewed.

In eight (8) of the files reviewed the underlying transaction amount was more than the \$3,000 P-card per purchase limit. The files did not contain any documentation of the approval exceed the P-card limit. Two (2) of the files had purchase amounts under \$3,000 but had two similar charges within a short time frame which could indicate splitting charges to stay under the P-card threshold.

The level of documentation provided for each P-card purchase varied considerably across all of the files reviewed. Some files contained vendor quotes, approval documentation, accounting information, invoices/receipts, and a standard P-card purchase form. No two files had the same level of documentation. Several files reviewed only had an invoice or receipt with no other information pertaining to the purchase. Overall, the P-card files showed that standardization in file documentation is needed to ensure compliance with P-card policies and procedures.

#### **Recommendation 7: Introduce more Convenient Purchase Card Training**

The current P-card training program is not a readily usable reference for staff. The slide deck does not contain examples of what an expense report should look like, the level of information required, or standardized reporting forms. The City would benefit from turning this information into an e-learning module that would be mandatory for all staff prior to P-card issuance. The module should include standardized documentation requirements and mandatory quizzes on each P-card requirement. By making this information into an e-learning module in a just-in-time format, the City could create an interactive step-by-step guide to P-card use and documentation compliance.

#### **Recommendation 8: Implement Updated P-Card Oversight Program**

In order to ensure compliance with P-card policies and procedures, the City should implement an updated P-card oversight program. As the policy stands, there is a requirement at the departmental level for the department Director to review all card activity for all cardholders. Once the departmental review takes place, a standardized form should be used to communicate any corrective actions for documentation deficiencies. After the departmental review, the P-card files should be provided to Finance Department for reconciliation on a monthly basis. At the time of the on-site review, P-card files were provided to the Finance Department on an annual basis. The Finance Department does perform random P-card audits on a monthly basis to ensure compliance in a timely manner. This may require additional resources to implement. Any findings from the audits should be communicated to the departments via a standardized form with corrective actions, and common errors should be communicated City-wide.

The oversight program should also contain a provision for regular P-card data collection and analysis. This responsibility should rest with the Finance Department and should include monthly, quarterly, and annual P-card program data analysis related to transactional data, rebate dollars, and levels of compliance with policies and procedures.

### **3.4 Training Status and Use of time by staff**

#### **Methodology**

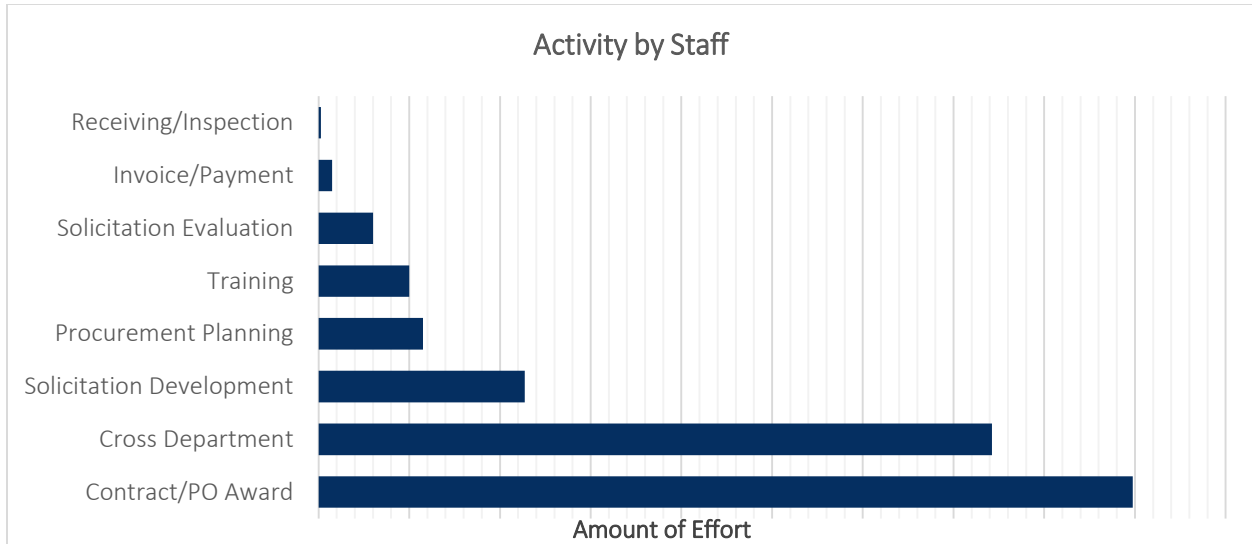
Calyptus asked each of the City of Rockville Purchasing Staff to complete a ten-day time study tool. The Purchasing staff were provided instructions on completing the analysis for the selected ten-day period. Staff tracked daily activities in fifteen (15) minute intervals. Each entry was coded with the time, activity, communication method, department served, routine activity (yes/no), and comments/topic discussed. The results of the time study are provided below.

In addition, observation of Purchasing was undertaken over the course of one day. This information was used to validate the results of the time study and provided additional insight regarding current processes and practice.

## Results of the time study

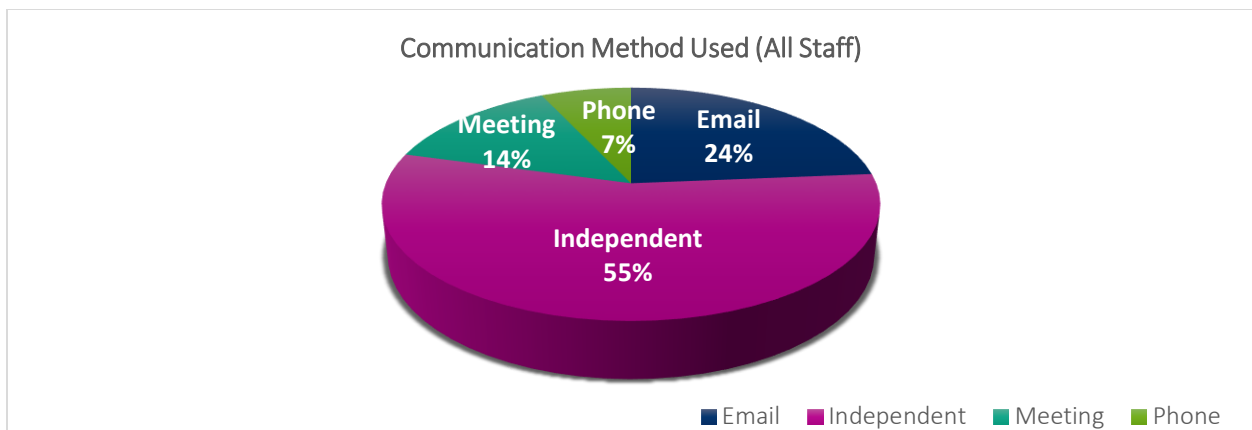
### Activities Completed

Staff were asked to categorize each fifteen minute interval by activity type. Eight (8) pre-populated activities were included in the tool: contract administration/change orders, contract/PO award, invoice/payment, procurement planning, receiving/inspection, solicitation development, solicitation evaluation, and training. See the following chart for the summary of activities. Amount of Effort is based on hours expended:



### Communication Method

Staff were asked to categorize the communication method utilized in each activity performed. Four (4) pre-populated communication methods were included in the tool: email, independent, meeting, and phone. The graph below shows the breakdown of communication methods utilized by all purchasing staff.



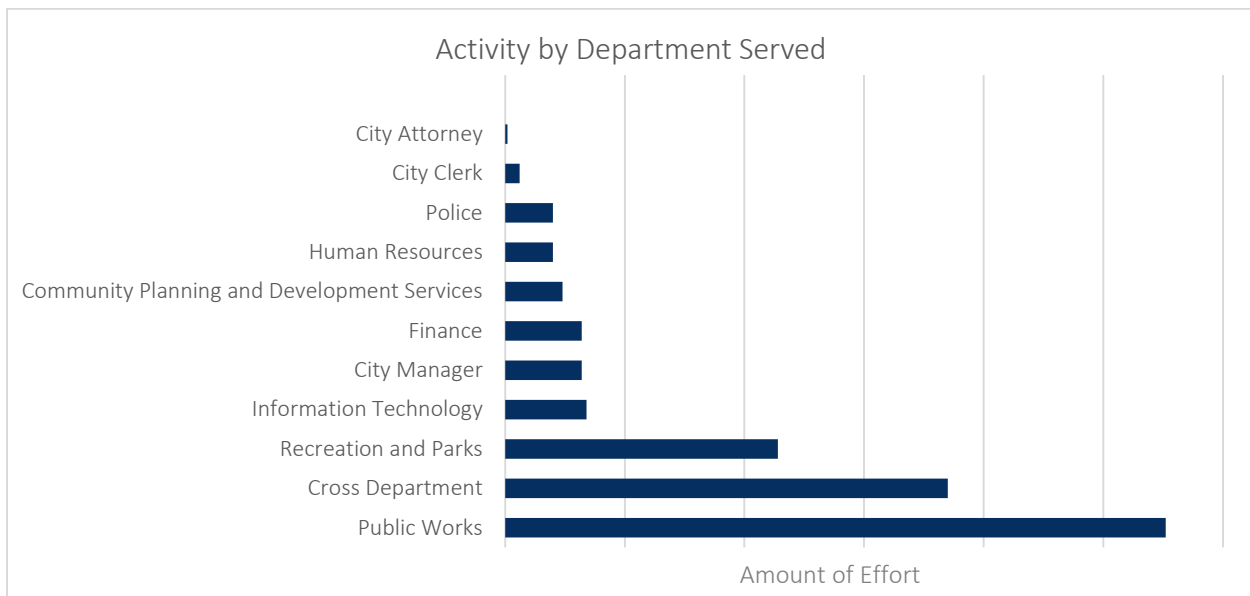
### Analysis

The majority of the Purchasing staff's communication methods for activities performed were recorded as independent. This coding was used to note when Purchasing staff were working on requests independently without communication to other departments. Certain activities such as procurement planning (50% for meetings) and training (83% for meetings) had higher occurrences of meetings as a communication method compared to other methods.

### Department Served

Staff were asked to categorize the department served for each activity performed. Eleven (11) pre-populated departments were included in the tool: City Attorney, City Clerk, City Manager, Community Planning and Development, Finance, Human Resources, Information Technology, Police, Public Works, Purchasing, Recreation and Parks. An option for other was also included with space for a description of the

department served. The following graph shows the breakdown of activities by the department served for all Purchasing staff. Amount of Effort is based on hours expended. This tracks with the relative size of City departments for purchases.

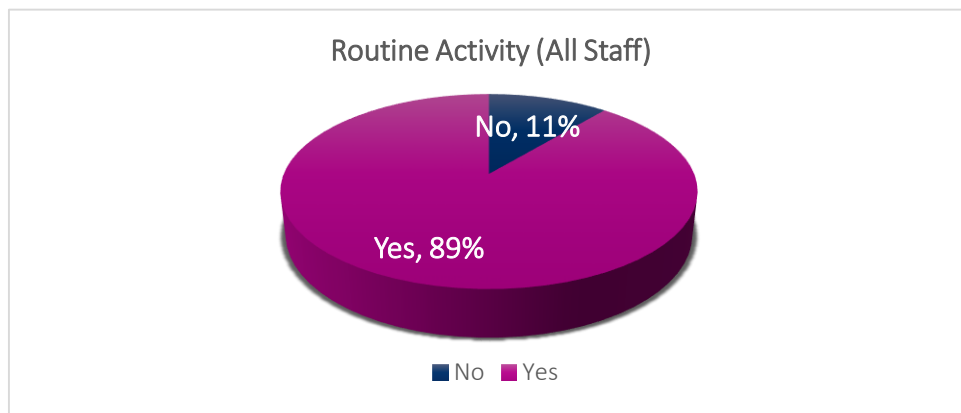


#### Analysis

Overall, 80% of the total activities were performed for four (4) departments: Public Works, Cross-Departmental, and Recreation and Parks.

#### Routine Activity

Staff were asked whether or not each activity performed was a routine activity. This was categorized as a yes or no answer in the tool. The graph below shows the breakdown of activities.



#### Analysis

The majority of the activities recorded across the Purchasing staff were recorded as routine. The non-routine activities reported were related to meetings, reviewing the FY16 Budget Book, and completed activities related to this study.

#### Findings from Observations

Two members of Purchasing were observed during the course on one working day. The key areas of note from the observations are summarized below:

**Solicitation Template:** Staff spent time reviewing a solicitation packet developed by a department. The department had taken the solicitation doc from the last similar procurement and amended this with their current requirements. There is no standardized solicitation template for departments to use and there are multiple different versions being used by departments. Purchasing staff had to spend time reformatting



and checking the terms / clauses of the solicitation - areas that could have been standardized if a template had been available and used by the department.

**Filing system:** The procurement filing system within Purchasing is confusing with different labeling and filing approaches for different types of action or contract:

- POs are printed and placed in both contract files (if >\$3,000) and filed separately alphabetically by vendor.
- Rider contracts are filed alphabetically by the item that is purchased
- IFB/ RFPs are filed by the code given to the procurement, which provides a general chronological ordering of the procurements.
- Multi-year contracts. A separate cabinet contains older contracts that might otherwise be filed in storage, but are still active contracts.

This is a system that has been in place for several years. It is particularly difficult to find rider contracts which are filed by item purchased, as there are often multiple different ways of describing a good or service. Although Purchasing is familiar with the system, they agree it is confusing.

Hard copy POs are filed in contract files, and in a separate PO section. This creates duplication in filing. The file review indicated that POs were not placed with the master agreements in all cases.

**Active file tracking:** There is no system to track contract files if they are taken out of the filing system because they are being worked on by purchasing staff. Currently it is possible to locate the files relatively quickly, because there are only three members of staff. This will become harder when there are additional Purchasing staff, and it is harder to remember which staff are assigned each procurement.

**Logs/ trackers:** Purchasing manually maintain a number of procurement lists, such as multi-year contracts, records of current contracts, solicitations and non-competitive procurements. It would be beneficial if these reports could be run from the system rather than recorded and tracked through additional / separate processes.

**PO processing:** A significant amount of time is spent processing POs: Printing, scanning, emailing the scan to the department, filing and sending a hard copy to the department in internal mail. It can take as much as 5 to 10 minutes to route an approved PO.

**Expediting reviews:** Staff visited the Risk Management and Legal offices to expedite reviews on time critical contracts. This did not represent a delay in the review process, but indicated the time sensitive nature of the procurements.

**Contact Details:** There is no repository for key point of contact, including who has the authority to sign contract documents. Staff spent time trying to identify the correct vendor and public agency contact details for rider contracts that had been identified. Contact details relating to regularly used rider contracts, or vendors could be collected for easier reference.

**Administration of contracts** - Rockville has agreements with three (3) office suppliers which department staff have to use. Purchasing is responsible for these contracts and the online logins. Purchasing staff have to verify and add in the details of new-hire staff to the supplier websites. Purchasing indicated that they also administer the Maintenance and Repairs to the City's Fitness Equipment Contract. The activity undertaken by Purchasing in administering these contracts is not included in the purchasing workload analysis.

**Insurance:** Staff spent time requesting updated vendor insurance information required before a PO could be issued.

### **Recommendation 9: Create Standardized Solicitation documents**

The City should create standardized solicitations for competitive sealed bids (construction and services) and competitive sealed proposals (services)

### **Recommendation 10: Develop a system based Contract Management System**

The City should create an accurate, up-to-date, system-based contract tracking system.

### **Recommendation 11: Implement an auto-release conflicting for Purchase Orders**

The City should implement the AMS-CGI Purchasing System feature that automates the distribution of Purchase Orders.

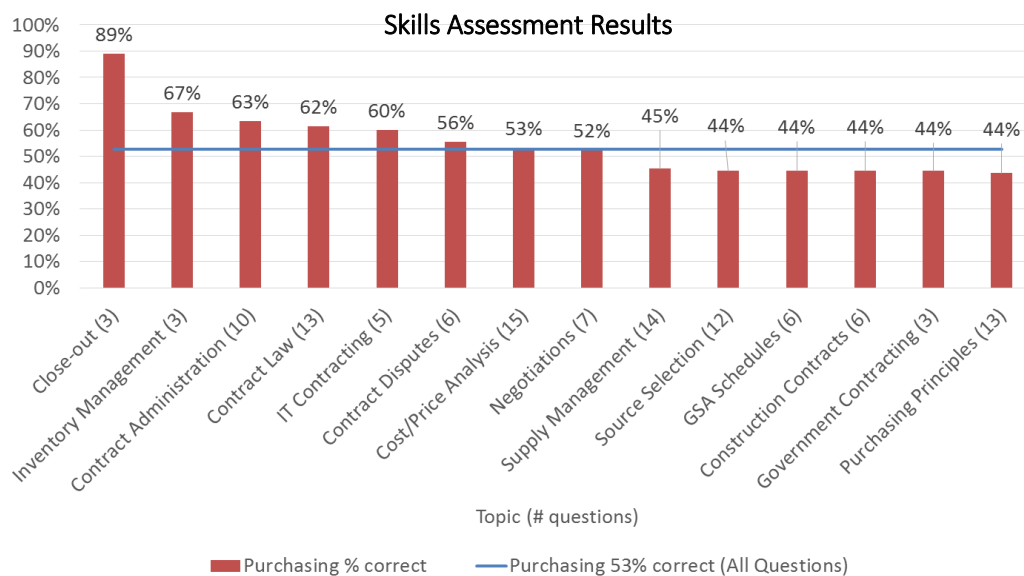
## **City of Rockville Training Skills Analysis**

### **Methodology**

The members of Purchasing were given a 116 multiple-choice question survey that covered a broad range of topics within the procurement body of knowledge. The survey is designed to test more complex procurement theory and regulations. The results were analyzed at the team level.

### **Results of Survey**

Across the whole skills assessment Purchasing scored 53%. The team average correct percentage score in each subject categories is provided in the following table and graph.



| Subject Category        | No. Questions | Purchasing % Correct |
|-------------------------|---------------|----------------------|
| Close-out               | 3             | 89%                  |
| Inventory Management    | 3             | 67%                  |
| Contract Administration | 10            | 63%                  |
| Contract Law            | 13            | 62%                  |
| IT Contracting          | 5             | 60%                  |
| Contract Disputes       | 6             | 56%                  |
| Cost/Price Analysis     | 15            | 53%                  |
| Negotiations            | 7             | 52%                  |
| Supply Management       | 14            | 45%                  |
| Source Selection        | 12            | 44%                  |
| GSA Schedules           | 6             | 44%                  |
| Construction Contracts  | 6             | 44%                  |
| Government Contracting  | 3             | 44%                  |
| Purchasing Principles   | 13            | 44%                  |

The topics that scored best across the team included Close-out, Inventory Management, Contract Administration, Contract Law and IT Contracting.

Five (5) topics scored 44%, the lowest percentage across the team: Source selection; GSA schedules; Construction Contracts; Government Contracting and Purchasing Principles. The City of Rockville does not currently use GSA schedules, which likely explains the relatively low score for this area.

Cost/Price analysis, Source selection and Negotiations scored relatively low across the team. This supports the feedback from Purchasing staff that the negotiation process is not well developed within the City of Rockville. It is only recently that the selection process for RFPs has been formalized using an evaluation committee. Additional training in these areas may enable staff to drive forward improved processes which will ensure selection of responsive and responsible vendors and capture greater value and savings for the City of Rockville.

Many of the questions which were not answered correctly across Purchasing tested recall of terminology for techniques or actions within specific procurement processes. Some of these terms may not be used frequently in the types of procurement that Rockville staff undertake.

The knowledge survey showed that there are no specific subjects that provided a total knowledge gap for the Division. Purchasing had some knowledge of each subject category with most scores close to the average of 53%. Gaps in knowledge likely related to procurement theory which is less regularly used within the City of Rockville purchasing process.

#### **Recommendation 12: Conduct Intensive Purchasing Training**

The City of Rockville Purchasing staff should undergo general training on all subject areas that score below 60%. In particular training should be undertaken on, cost/price analysis, negotiations, and source selection. Training should be made specific to the City of Rockville Purchasing System.

### **3.5 Review of Purchasing Business Processes, Workload, Transaction Processes, Spend, Cycle Time**

#### **Methodology**

Calyptus Consulting Group categorized all Citywide expenditures for the City of Rockville for the two fiscal years 2014 and 2015, based on data from the AMS system and Purchase Card reports and developed a detailed category spend tree of the results. Two years of spend data provides a more accurate perspective of evaluating expenditures since it averages purchases over the medium term. Calyptus initially received four sets of data from the City of Rockville financial systems for the past two fiscal years (2014 and 2015) as noted below:

- Final value of Purchase Orders awarded (including modifications)
- Master Agreements awarded (including modifications)
- Payments made against Master Agreements (during the past two fiscal years 2014 and 2015)
- GAX payments
- Purchase-card payments (P-card)

This data was used to determine the total value of expenditures to third-party contractors and the volume of activity by expenditure type. Purchase order and master agreement data was used to determine the volume of activity by method of procurement and total number of staff required to complete all procurement activity. Purchase order data was used to determine cycle time for completing purchasing activity.

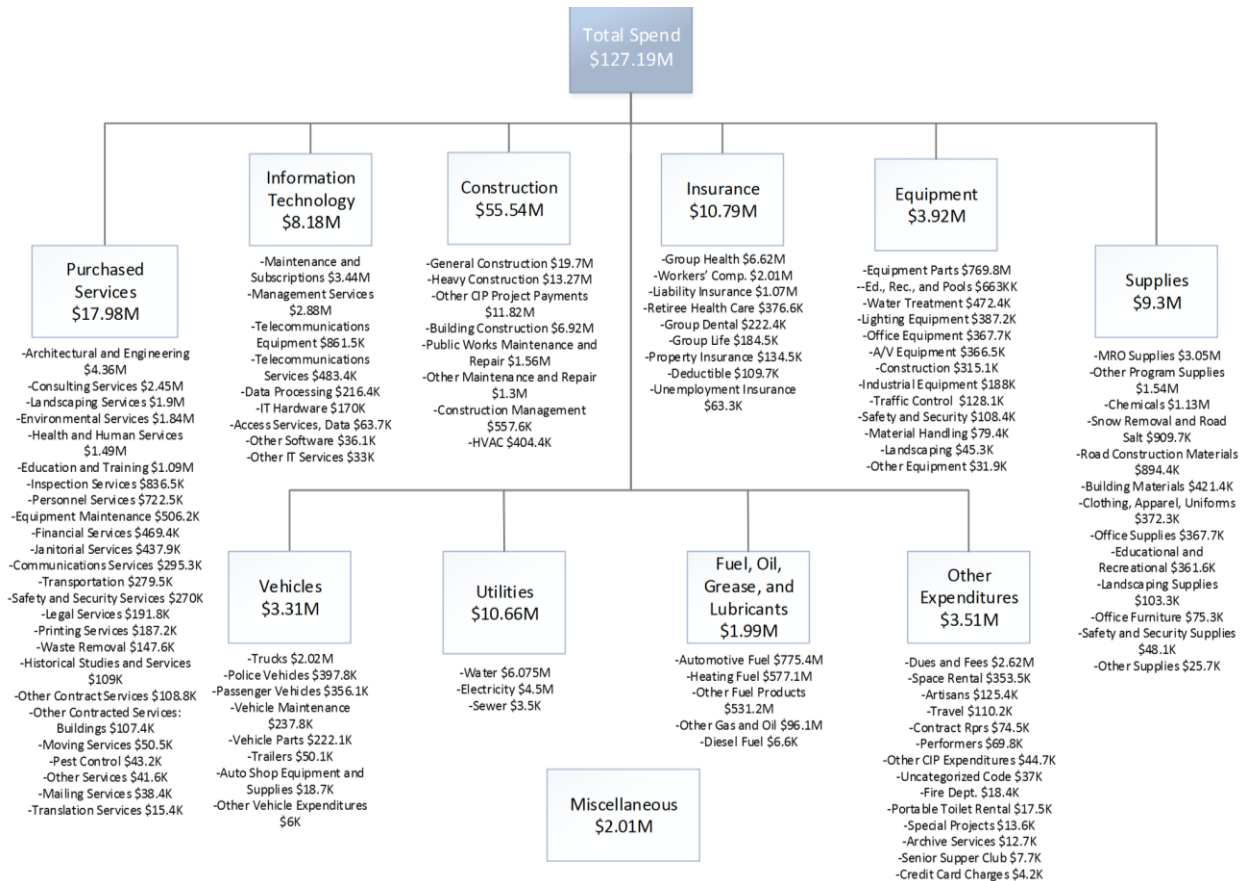
Based on the data collected from the two previous fiscal years, the total value of expenditures based on the final value of purchase orders, master agreement payments, GAX payments, and p-card payments is \$127,197,593.90.

## Categorization of Spend

Review of the data indicated that commodity level information was available for purchase orders and payments made against master agreements based on the NIGP commodity classification system. City of Rockville object code information was available for GAX payments and P-card payments. Calyptus organized the purchase order and master agreement payment data into two categorization levels based on the NIGP commodity codes provided in AMS. GAX and p-card payments were then organized into the same two levels using the available object code data. The categorization process resulted in the identification of ten high level categories and 107 subcategories.

There is a total biennial spend of \$127,197,593.90. Approximately \$2.01M of this spend is associated with fifteen (15) object codes that are not suitable for spend analysis. These miscellaneous expenditures were removed from the analysis of spend by category, resulting in \$125,183,176.50 of categorized spend. The budget for the City for FY2014 was \$104,404,470 (not including debt service) and for FY2015 was \$106,772,360 (also not including debt service). This translates into approximately 60% of the budget being spend with outside vendors and parties. The complete spend diagram is shown on the following page.

### Complete Spend Analysis Diagram

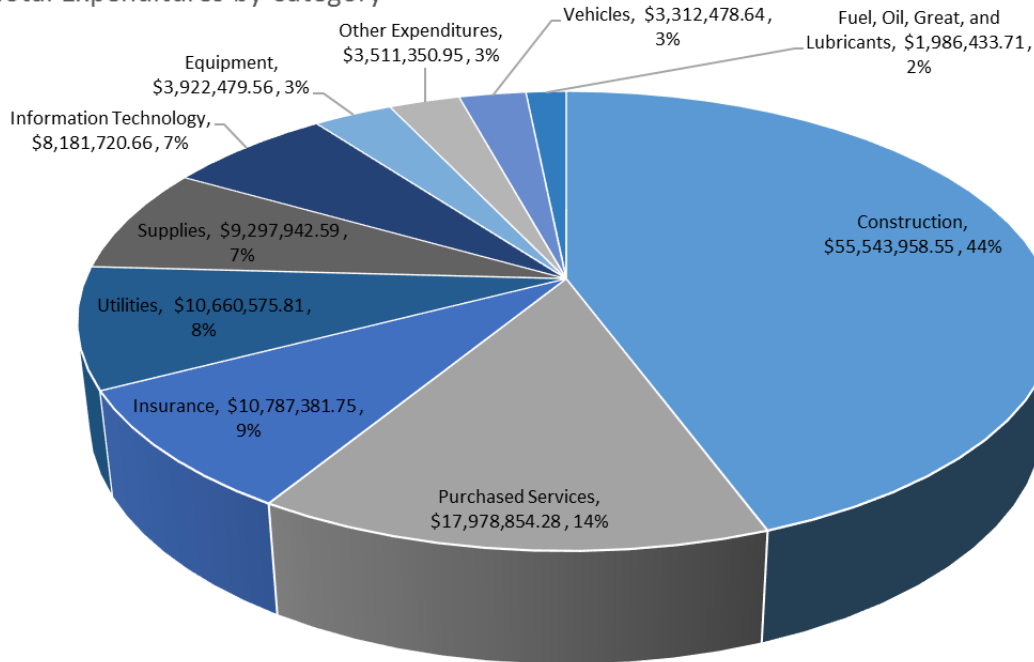


## Summary Data

### Spend by Category

An analysis of the procurement activity by category reveals that the top five categories account for 83% of the total addressable spend, or \$104.18M; this includes construction, purchased services, insurance, utilities, and supplies. The remaining 17% of spend was spread over information technology, equipment, vehicles, fuel, oil, grease, and lubricants, and other expenditures as noted in the following chart:

Total Expenditures by Category



### Spend by Department

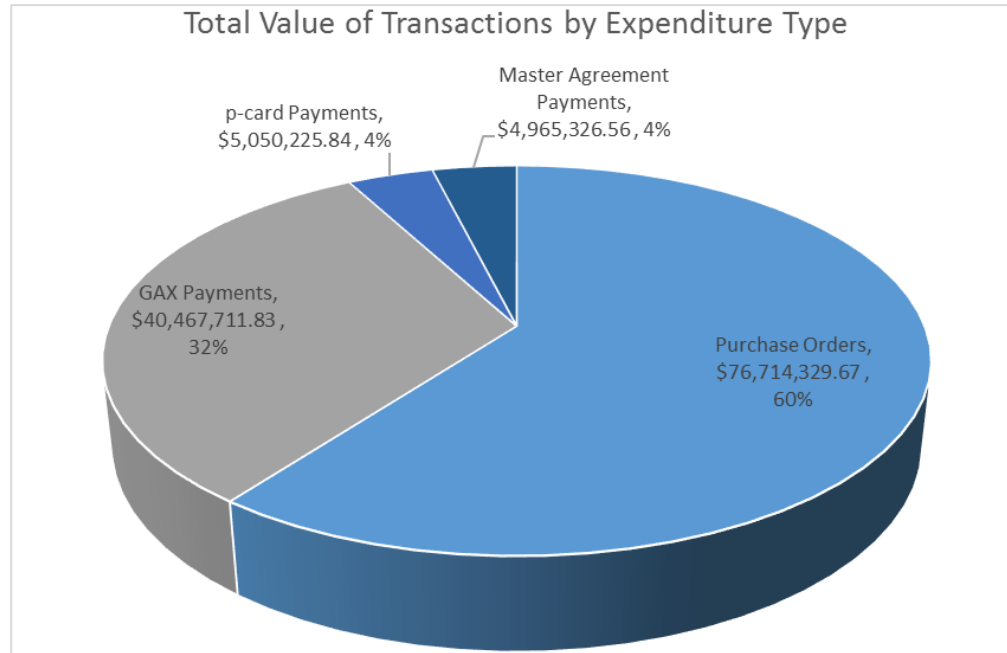
The total biennial spend by expenditure type for each department is shown in the table below. Public Works and Recreation & Parks together account for \$98.1M, or 77%, of the total biennial spend.

| Department                      | Total Expenditures      | Purchase Orders        | GAX Payments           | P-card Payments       | Master Agreement Payments |
|---------------------------------|-------------------------|------------------------|------------------------|-----------------------|---------------------------|
| Public Works                    | \$73,634,532.62         | \$47,553,942.99        | \$22,596,303.45        | \$1,547,547.22        | \$1,936,738.96            |
| Recreation & Parks              | \$24,530,508.83         | \$16,286,741.49        | \$4,015,652.41         | \$1,650,825.75        | \$2,577,289.18            |
| Cross- Department               | \$12,517,813.35         |                        | \$12,517,036.85        | \$776.50              |                           |
| Police                          | \$ 4,920,699.80         | \$4,416,802.46         | \$209,270.98           | \$209,233.61          | \$ 85,392.75              |
| IT                              | \$ 3,859,866.97         | \$3,642,381.85         | \$35,088.25            | \$182,396.87          |                           |
| City Manager                    | \$ 2,808,897.44         | \$2,311,546.11         | \$315,233.34           | \$149,621.48          | \$ 32,496.51              |
| Finance                         | \$ 2,360,949.16         | \$928,825.91           | \$158,611.52           | \$940,102.57          | \$ 333,409.16             |
| Community Development/ Planning | \$1,358,293.85          | \$1,219,610.01         | \$41,771.13            | \$96,912.71           |                           |
| Human Resources                 | \$554,829.03            | \$171,400.73           | \$224,106.60           | \$159,321.70          |                           |
| City Clerk                      | \$346,583.32            | \$ 30,305.82           | \$242,520.43           | \$73,757.07           |                           |
| City Attorney                   | \$301,883.32            | \$152,772.30           | \$112,116.87           | \$36,994.15           |                           |
| Department Not Known            | \$2,736.21              |                        |                        | \$2,736.21            |                           |
| <b>Total</b>                    | <b>\$127,197,593.90</b> | <b>\$76,714,329.67</b> | <b>\$40,467,711.83</b> | <b>\$5,050,225.84</b> | <b>\$4,965,326.56</b>     |

The breakdown of spend by department for each category is provided in this Analysis of Spend by Category section below.

### *Analysis of Commitments by Expenditure Type (except Master Agreements where only payments are reflected)*

64% of the total expenditures for the two year period were conducted through a purchase order and payments made against master agreements, accounting for \$81.66M of the total spend. GAX payments represent an additional \$40.4M, or 32%, of total City spend, representing a large amount of purchases are potentially being awarded outside the formal procurement process. The remaining 4% of purchases are made through the use of P-cards, totaling \$5M in overall payments directly to vendors. The following chart shows the breakdown of expenditures by type:



The total biennial payments by expenditure type for each category is shown in the table below:

| Category                              | Total Expenditures      | Purchase Orders        | GAX Payments           | P-card Payments       | Master Agreement Payments |
|---------------------------------------|-------------------------|------------------------|------------------------|-----------------------|---------------------------|
| Construction                          | \$55,543,958.55         | \$42,829,694.82        | \$11,806,206.43        | \$34,164.41           | \$873,892.89              |
| Purchased Services                    | \$17,978,854.28         | \$14,521,734.89        | \$1,148,949.24         | \$665,779.74          | \$1,642,390.41            |
| Insurance                             | \$10,787,381.75         |                        | \$10,787,381.75        |                       |                           |
| Utilities                             | \$10,660,575.81         |                        | \$10,660,490.66        | \$85.15               |                           |
| Supplies                              | \$9,297,942.59          | \$4,488,947.22         | \$968,569.46           | \$2,639,870.03        | \$1,200,555.88            |
| Information Technology                | \$8,181,720.66          | \$7,955,525.07         | \$95,630.17            | \$130,565.42          |                           |
| Equipment                             | \$3,922,479.56          | \$2,750,757.42         | \$146,411.91           | \$866,309.67          | \$159,000.56              |
| Other Expenditures                    | \$3,511,350.95          | \$518,892.45           | \$2,522,457.90         | \$466,133.04          | \$3,867.56                |
| Vehicles                              | \$3,312,478.64          | \$3,097,491.80         | \$21,299.44            | \$174,152.40          | \$19,535.00               |
| Fuel, Oil, Great, and Lubricants      | \$1,986,433.71          | \$531,200.00           | \$569,934.58           | \$34,307.45           | \$846,440.60              |
| Object Codes considered Miscellaneous | \$2,014,417.40          | \$20,086.00            | \$1,740,380.29         | \$38,858.53           | \$219,643.66              |
| <b>Total</b>                          | <b>\$127,197,593.90</b> | <b>\$76,714,329.67</b> | <b>\$40,467,711.83</b> | <b>\$5,050,225.84</b> | <b>\$4,965,326.56</b>     |

### *Analysis of Contract Actions by Type*

There were 1,478 procurement actions related to awarding purchase orders and master agreements including modifications in FY2014 and FY2015. There were an additional 6,694 GAX payments and 20,327

P-card transactions. The following table summarizes the total number of contract actions and total award value associated with each expenditure type:

| Expenditure Type                       | Number of Actions | Total Value of Contract Actions | Average Value of Contract Actions |
|--|-------------------|---------------------------------|-----------------------------------|
| <i>Purchase Orders</i>                 | 1,010             | \$68,997,143.44                 | \$ 68,314.00                      |
| <i>Purchase Order Modifications</i>    | 206               | \$ 7,717,186.23                 | \$ 27,462.07                      |
| <i>Master Agreements*</i>              | 132               | \$ 2,477,639.22                 | \$ 18,769.99                      |
| <i>Master Agreement Modifications*</i> | 130               | \$ 6,281,254.28                 | \$ 48,317.34                      |
| <i>GAX Payments</i>                    | 6,694             | \$40,467,711.83                 | \$ 6,045.37                       |
| <i>P-card Transactions</i>             | 20,327            | \$ 5,050,225.84                 | \$ 248.45                         |

\*This table reports the total award value for master agreements.

GAX payments and P-card transactions had the lowest average transaction values. This corresponds somewhat to the lack of Purchasing involvement for these types of expenditures.

### ***Analysis of GAX Transactions***

There were 6,694 separate GAX transactions across 95 object codes during the biennial period FY2014 to FY2015. The top six object codes represent 80.74% of the total expenditures, or \$32,674,514.92, as shown in the following table:

| Object Code                        | Number of Transactions | Percent of Transactions | Total Expenditures | Percent of Total Expenditures |
|------------------------------------|------------------------|-------------------------|--------------------|-------------------------------|
| <i>Payments/Contrctrs-Cip Proj</i> | 34                     | 0.51%                   | \$ 11,800,001.37   | 29.16%                        |
| <i>Group Health-City Contr</i>     | 24                     | 0.36%                   | \$ 6,623,885.51    | 16.37%                        |
| <i>Wssc Capacity Prov Contrcts</i> | 9                      | 0.13%                   | \$ 5,951,837.22    | 14.71%                        |
| <i>Electricity</i>                 | 624                    | 9.32%                   | \$ 4,582,496.59    | 11.32%                        |
| <i>Worker's Compensation Insur</i> | 196                    | 2.93%                   | \$ 2,007,494.17    | 4.96%                         |
| <i>Refuse Dump Fees</i>            | 108                    | 1.61%                   | \$ 1,708,800.06    | 4.22%                         |

The dollar values for individual transactions varied significantly, with 12 transactions that were less than \$1.00 up to one transaction for \$5,023,736.56. There were also 44 transactions for negative values.

There were 908 payees noted in the GAX transaction data provided by the City. Of these, five accounted for 82.5% of the total expenditures, or \$33,386,250.91, as shown in the following table:

| Payee Name                                     | Number of Transactions | Percent of Transactions | Total Expenditures | Percent of Total Expenditures |
|--|------------------------|-------------------------|--------------------|-------------------------------|
| <i>Washington Suburban Sanitary Commission</i> | 13                     | 0.19%                   | \$17,703,850.98    | 43.75%                        |
| <i>Kelly &amp; Assoc Insurance Group</i>       | 96                     | 1.43%                   | \$7,392,593.25     | 18.27%                        |
| <i>Potomac Electric Power Comp</i>             | 620                    | 9.26%                   | \$4,579,413.25     | 11.32%                        |
| <i>American International Group Inc</i>        | 189                    | 2.82%                   | \$2,001,744.17     | 4.95%                         |
| <i>Montg Cnty Md Div Of Solid Waste Svcs</i>   | 107                    | 1.60%                   | \$1,708,649.26     | 4.22%                         |

Four expenditures for the City of Rockville's share of WSSC's estimated costs procured under City Code Sec. 17-87 exemptions account for \$11.7 Million, or 29% of all GAX transactions.

### ***Analysis of Purchase Card Transactions***

There were 20,327 separate P-card transactions across 73 object Codes during the biennial period FY2014 to FY2015. The top 10 object codes represent approximately 80% of the total expenditures, or \$4,038,070.37, as shown in the following table:



| Object Code                           | Number of Transactions | Percent of Transactions | Total Expenditures | Percent of Total Expenditures |
|---------------------------------------|------------------------|-------------------------|--------------------|-------------------------------|
| <i>Program Supplies</i>               | 7268                   | 35.76%                  | \$1,198,677.90     | 23.74%                        |
| <i>Maintenance Supplies</i>           | 2866                   | 14.10%                  | \$1,154,593.78     | 22.86%                        |
| <i>Equipment Parts</i>                | 4573                   | 22.50%                  | \$726,990.96       | 14.40%                        |
| <i>Class/Professional Development</i> | 917                    | 4.51%                   | \$277,966.79       | 5.50%                         |
| <i>Facility Rental</i>                | 199                    | 0.98%                   | \$140,095.79       | 2.77%                         |
| <i>Dues, Fees &amp; Publications</i>  | 598                    | 2.94%                   | \$139,140.34       | 2.76%                         |
| <i>Contracted Vehicle M &amp; R</i>   | 266                    | 1.31%                   | \$104,612.17       | 2.07%                         |
| <i>Uniform Rental</i>                 | 464                    | 2.28%                   | \$104,439.51       | 2.07%                         |
| <i>Travel Outside Metro Area</i>      | 327                    | 1.61%                   | \$96,897.43        | 1.92%                         |
| <i>Purchased Unfrms/Stf Tshrts</i>    | 482                    | 2.37%                   | \$94,655.70        | 1.87%                         |

There were 1,768 payees noted in the purchase card transaction data provided by the City. 314 payees accounted for 80% of the total expenditures, or \$4,041,814.16. The top 10 payees represent \$1,356,632.13 in expenditures, or 26.86% of all P-card transactions, as shown in the following table:

| Payee Name                  | Number of Transactions | Percent of Transactions | Total Expenditures | Percent of Total Expenditures |
|-----------------------------|------------------------|-------------------------|--------------------|-------------------------------|
| 'Ww Grainger'               | 1246                   | 6.13%                   | \$314,193.33       | 6.22%                         |
| 'Hd Supply Waterworks Gr'   | 172                    | 0.85%                   | \$156,411.64       | 3.10%                         |
| 'General Parts Inc'         | 1881                   | 9.25%                   | \$153,351.96       | 3.04%                         |
| 'Office Depot'              | 1481                   | 7.29%                   | \$150,365.60       | 2.98%                         |
| 'Montgomery County Governm' | 193                    | 0.95%                   | \$135,766.41       | 2.69%                         |
| 'Paypal'                    | 406                    | 2.00%                   | \$117,896.51       | 2.33%                         |
| 'Unifirst Corporation'      | 484                    | 2.38%                   | \$105,973.87       | 2.10%                         |
| 'Ferguson Enterprises-Ny M' | 273                    | 1.34%                   | \$85,915.13        | 1.70%                         |
| 'Northern Virginia Supply'  | 528                    | 2.60%                   | \$70,192.63        | 1.39%                         |
| 'The Home Depot Inc'        | 487                    | 2.40%                   | \$66,565.05        | 1.32%                         |

Only 89 payees, or five percent, had P-card payments totaling more than \$10,000.00 in the two year period FY2014 to FY2015.

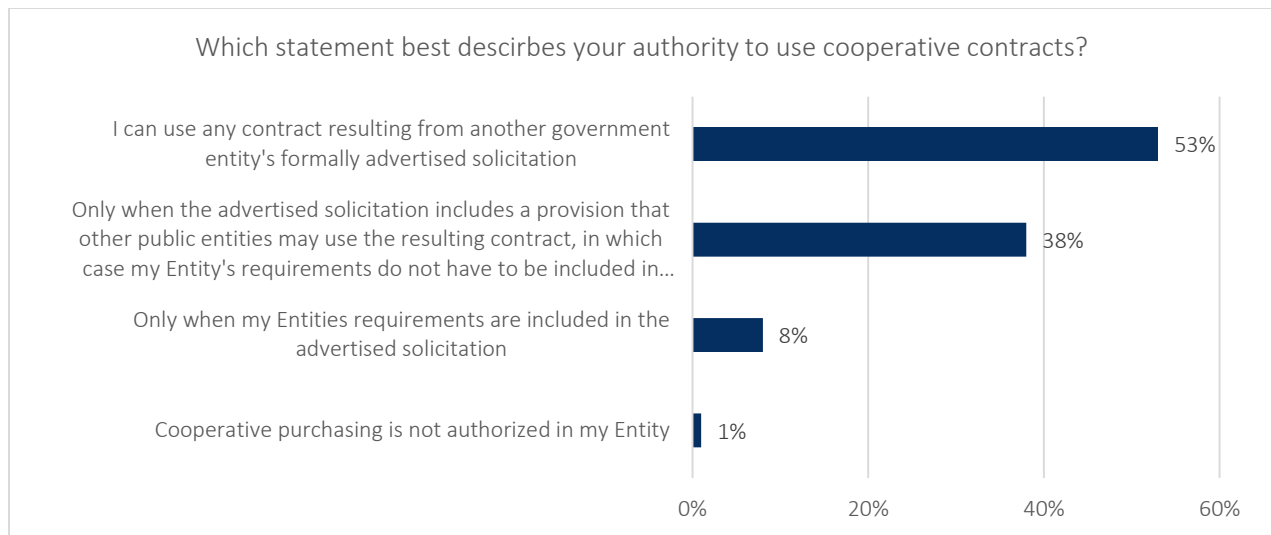
### **Method of Procurement Analysis**

Several different methods of procurement are allowable under the City of Rockville Code including delegated purchases below \$3,000, requests for quote, invitation for bid, request for proposal, sole source, emergency procurement, and other purchases exempted from competition per the City Code.

The Code also provides authority to use cooperative procurement agreements, known in the City as “rider” contracts, if it serves the best interests of the City and the competitive procurement procedure used by the other agency is similar to the procedure used by the City of Rockville. A 2012 survey of public purchasing departments by NIGP showed that this was the most frequent type of authority given to use cooperative contracts and this is supported by local benchmarking. All benchmark agencies where information was available, allowed use of contracts from another government entity’s solicitation, as long as the process was compatible with their own procurement processes. Some variations across the authorities included:

- Fairfax County also included the provision that the request for proposal or invitation to bid must specify that the procurement was being conducted on behalf of other public bodies.
- Frederick County stated that the bid must not have been awarded more than 12 months prior to piggyback or currently during the term of the contract





*NIGP 2012 Public Procurement Benchmarking Survey Report*

An increasing number of authorities are using cooperative purchasing; a 2003 NIGP Pulse Poll indicated 8% did not have authority to use cooperative purchasing, compared to 1% in 2012.

An average of 10% of approximate procurement spend was made through Cooperative Purchasing (NIGP, 2012). 21.77% of spend managed by Purchasing in Rockville is made through “rider” Contracts. The high proportion of City of Rockville spend conducted through “rider” contracts re-enforces the need to ensure that these contracts are in the best interest of the City from a pricing and quality of product/service standpoint. The use of rider contracts reduce cycle time and workload.

Rockville undertakes a number of other types of cooperative purchasing agreements that can be considered “rider” contracts. The table on the following page indicates the responses to the 2012 NIGP survey indicating a range of cooperative contract types used by public agencies. Rockville uses all of these mechanisms, with the exception of U.S. GSA schedules. Of the local agencies benchmarked, Fairfax County currently uses GSA schedules 70 and 84. At least 3 firms must be contacted and responses evaluated through pre-determined criteria when using these schedules.



*NIGP 2012 Public Procurement Benchmarking Survey Report*

### ***City of Rockville Procurement Actions***

Purchase order and master agreement data was used to determine the number of procurement actions completed by City of Rockville Purchasing staff based on the following assumptions:

- All transactions referencing a contract from jurisdictions other than the City of Rockville were considered to be releases against “rider” contracts.

- Purchases completed under City Code sections 17-42, 17-72, 17-85, 17-87, and 17-88, as well as six transactions lacking information on method of procurement, were considered to be exempt from competition per the City Code.
- Transactions with an award document version number greater than 1 were considered to be modifications to existing POs and master agreements.
- The first occurrence of a solicitation number in the data was considered to be the original solicitation and each subsequent reference to that solicitation was considered a release against the resulting contract.
- Purchases completed under City Code section 17-82 were considered to be sole source procurements and those completed under section 17-84 were considered emergency procurements
- P-card and GAX transactions are almost exclusively managed by User and Finance Department staff and are not part of Purchasing's workload.

The following table notes the number of procurement actions completed by type over the two year period from FY2014 and FY2015. The City of Rockville had three FTE to complete this activity during the time period noted.

| Method of Procurement                                      | Number of Procurement Actions | Total Value of Procurement Actions |
|--|-------------------------------|------------------------------------|
| <i>Small Purchase (at or under \$3K)</i>                   | 22                            | \$28,620.89                        |
| <i>Request for Quote (RFQ)</i>                             | 54                            | \$376,311.84                       |
| <i>Invitation for Bid (IFB)</i>                            | 81                            | \$20,839,908.10                    |
| <i>Request for Proposal (RFP)</i>                          | 24                            | \$2,148,090.07                     |
| <i>Release Against Rider Contract</i>                      | 432                           | \$18,571,699.48                    |
| <i>Sole Source</i>   | 26                            | \$609,961.79                       |
| <i>Emergency Procurement</i>                               | 17                            | \$733,519.58                       |
| <i>Purchases Exempt from Competition per the City Code</i> | 290                           | \$5,684,262.48                     |
| <i>Change Orders/Modifications</i>                         | 336                           | \$13,998,440.51                    |
| <i>Task/Delivery Orders Against Contracts</i>              | 193                           | \$22,295,493.15                    |

A breakout of the procurement actions conducted in each spend category is provided in the Analysis of Procurement Activity by Category section below.

A 2012 NIGP report noted the number of transactions in each procurement category as an average per Procurement FTE. The following table presents the results of the NIGP study compared to the average number of actions completed per FTE at the City of Rockville. This comparison assumes 3 FTEs for the City of Rockville based on the number of staff conducting procurement activity during the analysis period.

|   | Average per Procurement FTE |                                    |
|---|-----------------------------|------------------------------------|
|   | NIGP 2012 data              | City of Rockville (based on 3 FTE) |
| Request for Quotes  | 28.2                        | 9                                  |
| Competitive Sealed Bidding (IFB)  | 7.3                         | 13.5                               |
| Competitive Negotiation (RFP)   | 3.0                         | 4                                  |
| Original Orders Issued (Purchase Order, Releases etc.)  | 309.3                       | 245.8                              |
| Change Orders Issued  | 39.8                        | 56                                 |
| Emergency Contracts Issued (above formal threshold)   | 1.1                         | 2.8                                |
| Contracts Awarded Exempt from competition, including Sole Source, Rider Contracts, and City Code exemptions | 123.3                       | 124.6                              |

The City of Rockville undertakes significantly fewer Request for Quotes per person compared to other public procurement agencies; this may be due to the high level of delegated authority for purchases below

\$30K. The workload is similar across other types of procurement although the number of Purchase Orders Issued are also lower per person compared to NIGP reported data.

The NIGP study also indicated the percent of Purchasing spend in Goods, Services, Construction and Other categories as noted in the following table. The comparison to Rockville data is not exact as it is not known the breakdown of items included in the NIGP categories. The Rockville data includes only expenditures managed by Purchasing, and does not include purchases delegated to departments. This may explain the lower proportion of Goods purchased, and higher proportion of construction compared to the NIGP 2012 Survey.

| Category            | Average Procurement Spend (as % of total) |                   |
|---------------------|---|-------------------|
|                     | NIGP 2012 Respondents                     | City of Rockville |
| <b>Goods</b>        | 32%                                       | 18%               |
| <b>Services</b>     | 25%                                       | 34%               |
| <b>Construction</b> | 32%                                       | 44%               |
| <b>Other</b>        | 11%                                       | 3%                |

Since 2007 the NIGP survey data shows a significant increase (approx. 33%) in the number of respondents reporting some spend in the construction category, although differences in the way the data was collected prevent an exact calculation of the change. Nevertheless data from NIGP and the City of Rockville show the significance of construction spend for a public sector agency.

### Level of Effort Analysis

Calyptus used purchase order and master agreement data from the City and the results from a workforce analysis study performed for the General Services Administration (GSA) to evaluate the current workload at the City of Rockville and determine the total number of full time equivalent (FTE) staff required to complete purchasing activity for the two year period FY2014 and FY2015.

During a workforce analysis study, GSA mapped the steps for various acquisition methods and assigned the amount of time contracting staff spend in completing each task. Processing time estimates were then calculated for these acquisitions for varying levels of complexity. Calyptus classified the purchasing activity at the City of Rockville into seven categories based on the method of procurement used and award value of the resulting purchase order or master agreement in order to map it against the data from the GSA study. The following definitions were used to assign City of Rockville purchasing activity to each of the seven categories:

- Acquisitions at or under \$3K: POs awarded using City Code sec. 17-81 – Small Purchase
- Open Market Acquisitions between \$3K and \$30K: POs and Master Agreements awarded using RFQ process
- Open Market Acquisitions over \$30K: Invitations for Bid (IFB) and Requests for Proposal (RFP) conducted based on PO and Master Agreement data
- Task/Delivery Orders Against Contracts: POs and Master Agreements opened against existing City of Rockville contracts (based on the assumptions noted above)
- Releases Against “Rider” Contracts: POs and Master Agreements opened against contracts awarded by other jurisdictions
- Non-Competitive Awards: POs and Master Agreements awarded under competitive exemptions allowed by the City of Rockville Code (based on the assumptions noted above) as well as sole source and emergency procurements
- Change Orders/Modifications: Changes to existing POs and Master Agreements as denoted by the award document version number in the CGI-AMS system

The following tables present the data on total hours to complete contracting activity from the GSA study as it relates to the types of procurement conducted at the City of Rockville:

| Rider Contracts and Task/Delivery Orders Against Contracts |                               |                                 |                                |
|--|-------------------------------|---------------------------------|--------------------------------|
| Task   | Median Number of Hours SIMPLE | Median Number of Hours MODERATE | Median Number of Hours COMPLEX |
| <b>PHASE 1: PLANNING</b>                                   |                               |                                 |                                |
| 1. Receive and Review Procurement Request                  | 3.0                           | 5.0                             | 6.0                            |
| 2. Conduct Market Research                                 | 2.5                           | 4.0                             | 5.0                            |
| <b>PHASE 2: SOLICIT AND AWARD</b>                          |                               |                                 |                                |
| 1. Award PO  | 4.0                           | 7.0                             | 8.0                            |
| TOTAL HOURS  | 9.5                           | 16.0                            | 19.0                           |

| Non-Competitive Awards and Open Market Acquisitions at or under \$3,000 |                               |                                 |                                |
|---|-------------------------------|---------------------------------|--------------------------------|
| Task  | Median Number of Hours SIMPLE | Median Number of Hours MODERATE | Median Number of Hours COMPLEX |
| <b>PHASE 1: PLANNING</b>  |                               |                                 |                                |
| 1. Receive and Review Procurement Request                               | 3.0                           | 5.0                             | 6.0                            |
| 2. Conduct Market Research  | 2.5                           | 4.0                             | 5.0                            |
| <b>PHASE 2: SOLICIT AND AWARD</b>                                       |                               |                                 |                                |
| 1. Evaluate Quotes/Technical Proposals                                  | 4.0                           | 6.5                             | 8.0                            |
| 2. Award PO   | 4.0                           | 7.0                             | 8.0                            |
| TOTAL HOURS   | 13.5                          | 22.5                            | 27.0                           |

| Open Market Acquisitions at or under \$30,000        |                               |                                 |                                |
|--|-------------------------------|---------------------------------|--------------------------------|
| Task   | Median Number of Hours SIMPLE | Median Number of Hours MODERATE | Median Number of Hours COMPLEX |
| <b>PHASE 1: DEVELOP PURCHASE REQUEST</b>             |                               |                                 |                                |
| 1. Receive and Review Procurement Request            | 2.0                           | 3.8                             | 5.0                            |
| 2. Conduct market research                           | 2.0                           | 4.0                             | 5.0                            |
| 3. Develop scope of work                             | 1.0                           | 2.5                             | 5.0                            |
| 4. Develop solicitation                              | 3.5                           | 6.3                             | 8.0                            |
| <b>PHASE 2: EVALUATE AND AWARD</b>                   |                               |                                 |                                |
| 1. Solicit Bids/Proposals                            | 2.80                          | 5.00                            | 5.00                           |
| 2. Review Proposals                                  | 5.00                          | 8.00                            | 8.00                           |
| 3. Negotiate (n/a in all cases)                      | 2.00                          | 5.00                            | 6.00                           |
| 4. Legal Review/Approval                             | 1.00                          | 3.00                            | 4.00                           |
| <b>PHASE 3: CONTRACT ADMINISTRATION AND CLOSEOUT</b> |                               |                                 |                                |
| 1. Contract compliance                               | 1.50                          | 2.80                            | 3.00                           |
| 2. Process change orders and modifications           | 2.00                          | 5.00                            | 7.00                           |
| TOTAL HOURS  | 22.8                          | 45.4                            | 56.0                           |

| Open Market Acquisitions Exceeding \$30,000          |                               |                                 |                                |
|--|-------------------------------|---------------------------------|--------------------------------|
| Task   | Median Number of Hours SIMPLE | Median Number of Hours MODERATE | Median Number of Hours COMPLEX |
| <b>PHASE 1: DEVELOP PURCHASE REQUEST</b>             |                               |                                 |                                |
| 1. Develop acquisition plan                          | 4.5                           | 10.0                            | 10.0                           |
| 2. Conduct market research                           | 4.0                           | 8.0                             | 8.0                            |
| 3. Develop scope of work                             | 4.0                           | 9.0                             | 8.0                            |
| 4. Develop solicitation                              | 5.0                           | 10.0                            | 12.0                           |
| <b>PHASE 2: EVALUATE AND AWARD</b>                   |                               |                                 |                                |
| 1. Solicit Bids/Proposals                            | 5.0                           | 10.0                            | 10.0                           |
| 2. Review Proposals                                  | 8.0                           | 16.0                            | 16.0                           |
| 3. Negotiate (n/a in all cases)                      | 5.0                           | 12.0                            | 16.0                           |
| 4. Selection   | 5.0                           | 10.0                            | 10.0                           |
| 5. Legal Review/Approval                             | 2.0                           | 5.0                             | 8.0                            |
| 6. Award   | 5.0                           | 11.0                            | 12.0                           |
| <b>PHASE 3: CONTRACT ADMINISTRATION AND CLOSEOUT</b> |                               |                                 |                                |
| 1. Contract compliance                               | 4.0                           | 6.0                             | 6.0                            |
| 2. Process change orders and modifications           | 4.0                           | 8.0                             | 8.0                            |
| <b>TOTAL HOURS</b>                                   | <b>55.5</b>                   | <b>115.0</b>                    | <b>124.0</b>                   |

GSA 1102 Workforce Analysis

Information in the study related to contract administration indicate that processing change orders and modifications requires approximately 5 hours per action.

The resultant summary table of the level of effort required to complete various types of purchasing activity is noted below:

|   | Simple | Moderate | Complex |
|---|--------|----------|---------|
| <b><i>Rider Contracts and Task/Delivery Orders Against Contracts</i></b>              | 9.5    | 16.0     | 19.0    |
| <b><i>Non-Competitive Awards and Open Market Acquisitions at or under \$3,000</i></b> | 13.5   | 22.5     | 27.0    |
| <b><i>Open Market \$3K - \$30K</i></b>  | 22.8   | 45.4     | 56.0    |
| <b><i>Open Market above \$30K</i></b>   | 55.5   | 115.0    | 124.0   |
| <b><i>Processing Change Orders and Modifications</i></b>                              | 5.0    | 5.0      | 5.0     |

The following definitions from the GSA study were used to assign complexity to the various types of procurement actions conducted by the City:

- Simple: routine or standardized purchases, low maintenance/less contract administration, low risk or low political sensitivity, low level of customer involvement
- Moderate: larger dollar acquisitions, actions requiring negotiations or detailed cost/price analysis, moderate level of customer involvement
- Complex: high safety or environmental risk, public awareness or project, politically sensitive end-user or materials, stringent timeline requirements, high dollar value, high level of technical requirements or require extensive knowledge of acquisition, high level of customer involvement

Based on these definitions, the purchasing activity conducted by the City of Rockville is considered to be of simple complexity based on the requirements of the City Code, methods of procurement used, products and services purchased, and documentation required.

### Headcount Requirement Analysis

The following table indicates the level of effort for City of Rockville procurement actions based on the level of complexity noted above and dollar value for each type of purchasing activity and hours per action identified in the GSA study.

#### Summary of Hours to Complete Contract Actions by Type

| Contract Action Type                          | Level of Complexity | Dollar Value      | Hours Per Action (based on GSA study) |
|---|---------------------|-------------------|---------------------------------------|
| <b>Acquisitions at or under \$3K</b>          | Simple              | \$3,000 and below | 13.5                                  |
| <b>Open Market Acquisitions (RFQ)</b>         | Simple              | \$30K and below   | 22.8                                  |
| <b>Open Market Acquisitions (IFB and RFP)</b> | Simple              | Above \$30K       | 55.5                                  |
| <b>Task/Delivery Orders Against Contracts</b> | Simple              | All dollar values | 9.5                                   |
| <b>Releases Against "Rider" Contracts</b>     | Simple              | All dollar values | 9.5                                   |
| <b>Non-Competitive Awards</b>                 | Simple              | All dollar values | 13.5                                  |
| <b>Change Orders/Modifications</b>            | Simple              | All dollar values | 5.0                                   |

Using these assumptions and the purchase order and master agreement data for FY2014 and FY2015 as the basis for calculating headcount, we arrived at the number of full-time equivalents (FTEs) required to complete all purchasing activity at the City by applying the following formula:

1. (Number of Contract Actions by Type) x (Hours to Complete) = Total Hours to Complete Contract Actions by Type
2. (Sum of Total Hours to Complete Contract Actions by Type) / 3614\* = Total FTE Required

\*3614 is the average number of hours purchasing staff work in two years accounting for holidays and the average number of personal leave hours taken.

The table below provides a summary of the total FTEs required to complete all FY2014 and FY2015 contracting activity noted in the purchase order and master agreement data from CGI-AMS across all categories of expenditures.

#### Headcount Requirement Analysis

| Contract Action Type                          | Number of Actions Completed | Hours Per Action (based on GSA study) | Total Annual Hours | Total FTEs Required (Total Hours/3614) |
|---|-----------------------------|---------------------------------------|--------------------|--|
| <b>Acquisitions at or under \$3K</b>          | 22                          | 13.5                                  | 297                | 0.08                                   |
| <b>Open Market Acquisitions (RFQ)</b>         | 54                          | 22.8                                  | 1231.2             | 0.34                                   |
| <b>Open Market Acquisitions (IFB and RFP)</b> | 105                         | 55.5                                  | 5827.5             | 1.61                                   |
| <b>Task/Delivery Orders Against Contracts</b> | 193                         | 9.5                                   | 1833.5             | 0.50                                   |
| <b>Releases Against "Rider" Contracts</b>     | 432                         | 9.5                                   | 4104               | 1.14                                   |
| <b>Non-Competitive Awards</b>                 | 335                         | 13.5                                  | 4522.5             | 1.25                                   |
| <b>Change Orders/Modifications</b>            | 336                         | 5.0                                   | 1680               | 0.47                                   |
| <b>Total</b>                                  | <b>1477</b>                 |                                       |                    | <b>5.4</b>                             |

Using the calculation described above, we determined that a total of 5.4 FTEs were required to complete the total contracting activity for FY2014 and FY2015 based on the data from CGI-AMS. The following table provides a summary of the total hours and FTEs required to complete contracting activity by category of expenditure.

| Expenditure Category          | Total FTEs Required (Total Hours/3614) |
|-------------------------------|--|
| <b>Construction</b>           | 0.93                                   |
| <b>Purchased Services</b>     | 1.85                                   |
| <b>Insurance*</b>             | 0                                      |
| <b>Utilities*</b>             | 0                                      |
| <b>Supplies</b>               | 0.75                                   |
| <b>Information Technology</b> | 0.81                                   |

| Expenditure Category                     | Total FTEs Required<br>(Total Hours/3614) |
|--|---|
| <b>Equipment</b>                         | 0.53                                      |
| <b>Other Expenditures</b>                | 0.16                                      |
| <b>Vehicles</b>                          | 0.30                                      |
| <b>Fuel, Oil, Grease, and Lubricants</b> | 0.04                                      |
| <b>Total</b>                             | <b>5.4</b>                                |

\*Purchasing staff are not responsible for completing Insurance and Utilities procurement actions

Note that level of effort for exempted procurements are now included in the headcount requirement even though, at present, these purchases are managed by the departments. In addition, there was no consideration for Purchasing staff required to complete procurement actions for insurance or utilities as these categories are purchased by the departments directly and do not go through the formal purchasing process. Detailed data on the number of FTEs required for each category is provided in the Analysis of Procurement Activity by Category section.

Benchmarking of local County and City Purchasing staff indicates that the number of purchasing FTEs is somewhat correlated to the size of the population as noted in the table below; although the City of Frederick has a similar population to Rockville but only 3 FTEs.

| Agency                    | Management Staff | Buying Staff | Admin/ Support/ Inventory Staff  | Est. Population |
|---------------------------|------------------|--------------|--|-----------------|
| City of Rockville         | 1                | 4            | 2.4<br>(0.4 x Office Support, 2 x warehouse)   | 62,130          |
| Frederick County, MD      | 2                | 3            | 3<br>(1x Office manager, 2 x project manager)  | 243,675         |
| Montgomery County, MD     | 2                | 10           | 5<br>(4 x Admin associates, 1 x Admin intern)  | 1,030,447       |
| Prince Georges County, MD | 1                | 6            | 7<br>( 4x Buyer support, 1 x Division Support, 1 x Budge management Analyst, 1 x Contract Service Officer) | 904,430         |
| City of Frederick, MD     | 1                | 2            | 3<br>(1 x Admin assistant, 2 x Warehouse coordinator)  | 65,519          |
| City of Annapolis, MD     | 1                | 2            | No support staff noted   | 38,722          |
| Arlington County, VA      | 2                | 4            | No support staff noted   | 216,700         |
| Fairfax County, VA        | 1                | 15           | No support staff noted   | 1,116,256       |
| City of Manassas, VA      | 1                | 2            | 2<br>(warehouse technicians)   | 41,705          |
| Herndon, VA               | 1                | 0            | No support staff noted   | 24,554          |

The City of Gaithersburg and City of Bowie, MD have a decentralized model. The City of Gaithersburg Purchasing Manager supports the departments and is responsible for compliance and enforcement. The Finance Department is responsible for purchasing goods and services within the City of Greenbelt, MD and responsibility for this function appears shared across the team. The following information related to conducted research associated with the Mayor and Council on this subject related to its September 21, 2015 meeting:

**REPORTING STRUCTURE FOR PURCHASING DIVISION**  
**Prepared September 1, 2015**

| <b>Entity</b>        | <b>Title of Head of Purchasing</b> | <b>Reporting Relationship</b>         | <b>Comments</b>   |
|----------------------|------------------------------------|---------------------------------------|---|
| City of Rockville    | Purchasing Manager                 | Chief Financial Officer               | The Purchasing Division is under the Department of Finance. The Purchasing Division providing procurement services for all city departments.  |
| City of Annapolis    | Procurement Officer                | Director of Finance                   | Division has three staff members, the Procurement Officer and two buyers.   |
| City of Bowie        | N/A                                | N/A                                   | The City of Bowie does not have a separate purchasing division and each department is responsible for its own purchasing.   |
| City of Cumberland   | N/A                                | N/A                                   | No central purchasing function; each department is responsible for its own purchasing.  |
| City of Gaithersburg | Procurement Manager                | Director – Finance and Administration | The City operates under a decentralized purchasing system. The Procurement Manager acts as a liaison between departments and is responsible for administering and enforcing purchasing policies and procedures. The Finance and Administration Department is responsible for receipt and disbursement of city funds, financial reporting, assisting with procurement functions and administering housing and community development grants and programs. |
| City of Frederick    | Purchasing Manager                 | Director of Budget and Purchasing     | The department is under the Office of Finance and Administration, which consists of four divisions – finance, budget/purchasing, human resources and IT.  |
| City of Salisbury    | Assistant Director of Parking and  | Director of Internal Services         | The finance department is also under internal services. The assistant director of purchasing  |

| <b>Entity</b>         | <b>Title of Head of Purchasing</b>                                | <b>Reporting Relationship</b>   | <b>Comments</b>  |
|-----------------------|---|---|--|
|                       | Procurement   |   | also serves as parking administrator.  |
| Anne Arundel County   | Purchasing Agent  | Central Services Officer (political appointee)  | The Central Services Officer is appointed by the County Executive. The Central Services Officer is responsible for purchasing, risk management, real estate and facilities.  |
| Arlington County      | Division Manager – Procurement                                    | Director of Management and Financial Services   | Four divisions under Management and Financial Services - Management and Budget, Accounting, Purchasing and Real Estate Assessment.   |
| Fairfax County        | Director of Purchasing and Supply Management                      | Deputy County Executive for Administration and the Assistant Superintendent for School Services |  |
| Howard County         | Purchasing Administrator  | Chief Administrative Officer  | Purchasing is under the Department of County Administration which includes a wide range of government departments, including budget, human resources, transportation, human rights, risk management and workforce development.                                       |
| Loudoun County        | Procurement Division Manager                                      | Director of Management and Financial Services   | The Department of Management and Financial Services provides centralized support to other county agencies. The department is organized into four main divisions, Accounting and Financial Analysis, Budget and Research, Human Resources, Management and Procurement |
| Montgomery County     | Director Office of Procurement (political appointee)              | County Executive  | Office of Procurement was established by Bill 7-15 on March 24, 2015. Office handles the procurement function as well as duties handled by the Office of Business Relations and Compliance.  |
| Prince Georges County | Chief, Procurement and Materials Management (political appointee) | County Executive  | Chief, Procurement and Materials Management position is nominated by the County Executive, and approved by the County Council. All Chief positions (about 20) are handled this way in  |

| <b>Entity</b>         | <b>Title of Head of Purchasing</b> | <b>Reporting Relationship</b> | <b>Comments</b>   |
|-----------------------|------------------------------------|-------------------------------|---|
|                       |                                    |                               | Prince Georges County.  |
| Prince William County | Purchasing Division Chief          | Director of Finance           | Finance department is responsible for financial reporting, risk management, real estate tax assessments, purchasing, tax administration and demographics. |



The 2012 NIGP study indicated the average number of procurement actions completed per FTE, average transaction value, and average procurement spend per FTE, as shown in the table below. City of Rockville Purchasing staff issue fewer purchase orders per FTE; however, the total value of each transaction was over three times as high as what was reported in the NIGP study. The average procurement spend per the existing 3 FTEs was also higher for the City of Rockville. This data does not include delegated purchases made using GAX and P-card payments at the City as these purchases are primarily handled by the Departments.

|   | Average Number of Transactions per FTE | Average Transaction Value | Average Procurement Spend per FTE |
|---|--|---------------------------|-----------------------------------|
| <b>NIGP (2012)</b>                        | 385                                    | \$15,500.00               | \$10.1M                           |
| <b>City of Rockville (assuming 3 FTE)</b> | 245.8                                  | \$57,821.23*              | \$14.2M                           |

Increasing the number of FTEs from 3 to 5 at the City will lower the average number of transactions per FTE to 147.5 and the average procurement spend per FTE to \$8.5 million. Based on this data, 5 FTEs appears to be in line with other agencies given the size and type of purchasing activity conducted by the City of Rockville.

### Cycle Time Analysis

Requisition and purchase order data was used to determine the cycle time from the point when a requisition is entered in the CGI-AMS system until the purchase order is awarded. This cycle time includes the departmental approval process as well as the time spent conducting procurement activity once the requisition has been approved. Cycle time data was not available for master agreements.

The lead time for awarding purchase orders varied based on the dollar value of the requisition. Method of procurement data was not available to use in the evaluation of cycle time at the time of the analysis. The average, median, and mode cycle time for each dollar threshold is shown in the following table:

|         | Under \$3,000.00       | \$3,001 to \$5,000    | \$5,001 to \$30K        | Exceeds \$30K            |
|---------|------------------------|-----------------------|-------------------------|--------------------------|
| Average | 50 days                | 49 days               | 90 days                 | 163 days                 |
| Median  | 18 days                | 17 days               | 24 days                 | 46 days                  |
| Mode    | 1 day (14 occurrences) | 1 day (9 occurrences) | 7 days (22 occurrences) | 28 days (13 occurrences) |

While the average cycle time exceeded 30 days regardless of dollar value, there were instances in which purchase orders were awarded within 1-28 days, as illustrated by the mode for each dollar threshold.

Benchmarking conducted of cycle time by method of procurement is noted in the following table. NIGP Cycle time is defined as the number of calendar days from receipt of a requisition to issuance of a purchase order or contract. **Fairfax County data did not include a definition of cycle time.**

|                                    | Average Cycle Times NIGP report (Calendar Days) | Fairfax County example Cycle Times (Business Days) |
|------------------------------------|---|--|
| <b>Small Purchase</b>              | 8.3 days  | 1-3 days   |
| <b>Request for Quotes</b>          | Not Reported                                    | 7-14 days  |
| <b>Request for Proposals (RFP)</b> | 72.3 days                                       | 120-180 days                                       |
| <b>Formal Bid (ITB, IFB)</b>       | 44.2 days                                       | 60-90 days   |
| <b>Sole Source</b>                 | Not Reported                                    | 60 days  |

The City of Rockville average lead times for small purchase and requests for quote are significantly longer than the cycle times noted in the NIGP study and Fairfax County based on the following assumptions:

- Small Purchase corresponds to purchases under the \$3,000 threshold and the \$3,001 to \$5,000 threshold
- Request for Quotes corresponds to the \$5,001 to \$30K threshold

It is not possible to fully compare the cycle times for RFPs, IFBs, and Sole Source as cycle time by method of procurement data for the City of Rockville was not available at the time this analysis was conducted.

The average cycle time also varied across the various categories of spend. The following table provides a summary of the average cycle time for each category, detailed data on the cycle time for each category is provided in the Analysis of Procurement Activity by Category section below.

|                                   | Under \$3,000.00 | \$3,001 to \$5,000 | \$5,001 to \$30K | Exceeds \$30K |
|-----------------------------------|------------------|--------------------|------------------|---------------|
| Construction                      | 95 days          | 44 days            | 101 days         | 209 days      |
| Purchased Services                | 52 days          | 31 days            | 116 days         | 193 days      |
| Supplies                          | 9.5 days         | 29 days            | 79.5 days        | 125 days      |
| Information Technology            | 41 days          | 38 days            | 63 days          | 80 days       |
| Equipment                         | 90 days          | 84 days            | 93 days          | 127 days      |
| Other Expenditures                | 46 days          | 26 days            | 63 days          | 125 days      |
| Vehicles                          | 26 days          | 102 days           | 45 days          | 63 days       |
| Fuel, Oil, Grease, and Lubricants | No activity      | No Activity        | No Activity      | 271 days      |

A follow-up analysis should be conducted once the system is better able to track cycle time.

### **Analysis of Procurement Activity by Category**

A detailed analysis of the volume of spend, expenditure type, method of procurement, level of effort, and cycle time for each category is provided in the sections that follow.

#### **Construction (\$55.54M)**

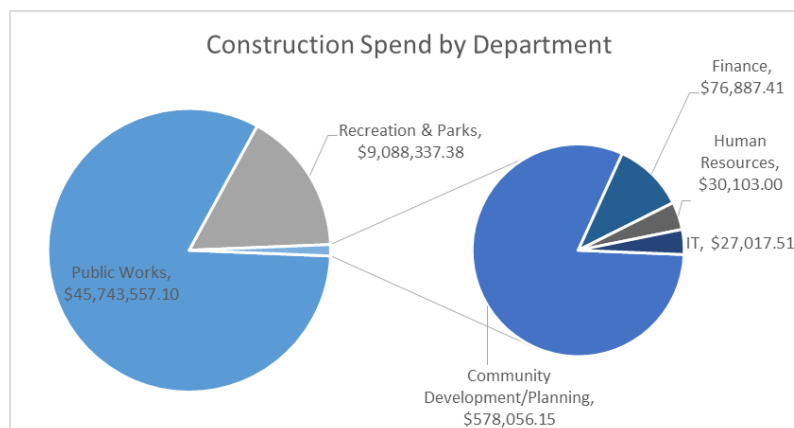
##### **Volume of Spend**

The construction category is comprised of eight subcategories:

|                                     |          |     |
|-------------------------------------|----------|-----|
| General Construction                | \$19.7M  | 35% |
| Heavy Construction                  | \$13.27M | 24% |
| Other CIP Project Payment           | \$11.82M | 21% |
| Building Construction               | \$6.92M  | 12% |
| Public Works Repair and Maintenance | \$1.56M  | 3%  |
| Other Repair and Maintenance        | \$1.31M  | 2%  |
| Construction Management             | \$557.6K | 1%  |
| HVAC                                | \$404.4K | 1%  |

Construction expenditures currently categorized with only the object Code “Other CIP Project Payments” include payments the Washington Suburban Sanitary Commission (WSSC) and reimbursements to residents for property damage.

The following chart shows the breakout of expenditures by department:



Analysis of the construction category indicates that Public Works purchases 82%, or \$45.74M, of total category spend per biennium. Recreation and Parks accounts for a further 16%, or \$9.08M, of total biennial spend for the category. The remaining spend is spread over Community Development/Planning, Finance, Human Resources, and IT.

Commodity Codes for construction expenditures within Finance, Human Resources, and IT should be validated based on line item expense detail; this represents 0.31% of total construction expenditures.

#### Analysis of Expenditure Type

77.11% of all construction expenditures are made using a purchase order. GAX payments represent 21.26% of construction expenditures, while P-card transactions and payments against master agreements represent less than 2% of all construction payments as shown in the following table.

| <i>Expenditure Type</i>          | <i>Total Expenditures</i> | <i>Percent of Total Expenditures</i> | <i>Total Number of Actions*</i> | <i>Average Transaction Value</i> |
|----------------------------------|---------------------------|--------------------------------------|---------------------------------|----------------------------------|
| <i>Purchase Orders</i>           | \$ 42,829,694.82          | 77.11%                               | 200                             | \$ 214,148.47                    |
| <i>GAX Payments</i>              | \$ 11,806,206.43          | 21.26%                               | 40                              | \$ 295,155.16                    |
| <i>Master Agreement Payments</i> | \$ 873,892.89             | 1.57%                                | 287                             | \$ 3,044.92                      |
| <i>P-card Payments</i>           | \$ 34,164.41              | 0.06%                                | 48                              | \$ 711.76                        |

\*Number of transactions include modifications to purchase orders and master agreements.

GAX payments were associated with three object codes within the construction category as shown in the table below:

|                             |         |        |
|-----------------------------|---------|--------|
| Payments/Contrctrs-Cip Proj | \$11.8M | 99.95% |
| Contracted Serv-Streets     | \$4.7K  | <1%    |
| Major Repairs               | \$1.5K  | <1%    |

There were six GAX payments over \$3,000 for construction. 99%, or \$11.7M, of the GAX payments in the construction category were for items purchased under City Code exemptions, such as payments to the Washington Suburban Sanitary Commission (WSSC); four payments alone accounted for the majority of these expenditures. A GAX payment of \$13,200 was made to pay a fee for Preliminary Engineering Services, it is not known from the data provided whether this payment was made against a larger contract awarded through the purchasing process. The remaining \$13,580.55 GAX payments in the construction category were below \$3,000.00.

The same three object codes within construction were also purchased with P-cards as shown in the following table:

|                             |         |        |
|-----------------------------|---------|--------|
| Payments/Contrctrs-Cip Proj | \$18.2K | 53.43% |
| Major Repairs               | \$15.8K | 46.34% |
| Contracted Serv-Streets     | \$79.50 | <1%    |

All p-card transactions for items in the construction category were below \$3,000 and there is no evidence of splitting transactions in this category to remain under the required threshold.

#### Method of Procurement Analysis

The number of procurement actions for construction requirements completed by Purchasing staff over the two year period from FY2014 and FY2015 is shown in the following table:

| <i>Method of Procurement</i>   | <i>Number of Procurement Actions</i> | <i>Total Value of Procurement Actions</i> |
|--------------------------------|--------------------------------------|---|
| Request for Quote (RFQ)        | 1                                    | \$4,019.00                                |
| Invitation for Bid (IFB)       | 27                                   | \$17,851,650.20                           |
| Request for Proposal (RFP)     | 1                                    | \$176,830.00                              |
| Release Against Rider Contract | 60                                   | \$5,089,715.53                            |

| Method of Procurement                               | Number of Procurement Actions | Total Value of Procurement Actions |
|---|-------------------------------|------------------------------------|
| Sole Source   | 1                             | \$55,000.00                        |
| Emergency Procurement                               | 10                            | \$670,734.27                       |
| Purchases Exempt from Competition per the City Code | 21                            | \$325,449.91                       |
| Change Orders/Modifications                         | 92                            | \$6,638,097.73                     |
| Task/Delivery Orders Against Contracts              | 35                            | \$13,627,399.05                    |

51% of all construction actions were either for modifications to POs and master agreements or to create POs and master agreements against existing contracts. An additional 24% of the completed actions were to create POs and master agreements against a “rider” contract, while competitive solicitations account for 12% of the activity completed for construction requirements. 8% of procurement actions completed for construction were considered to be exempt from the requirements for competitive procurement.

#### Level of Effort Analysis

Based on the methodology described above, 0.93 FTEs were required to complete all purchasing activity for construction during the two year period from FY2014 to FY2015 as shown in the following table.

#### **Headcount Requirement Analysis - Construction**

| Contract Action Type                          | Number of Actions Completed | Hours Per Action (based on GSA study) | Total Annual Hours | Total FTEs Required (Total Hours/3614) |
|---|-----------------------------|---------------------------------------|--------------------|--|
| <i>Open Market Acquisitions (RFQ)</i>         | 1                           | 22.8                                  | 22.8               | 0.01                                   |
| <i>Open Market Acquisitions (IFB and RFP)</i> | 28                          | 55.5                                  | 1554               | 0.43                                   |
| <i>Task/Delivery Orders Against Contracts</i> | 35                          | 9.5                                   | 332.5              | 0.092                                  |
| <i>Releases Against “Rider” Contracts</i>     | 60                          | 9.5                                   | 570                | 0.158                                  |
| <i>Non-Competitive Awards</i>                 | 32                          | 13.5                                  | 432                | 0.12                                   |
| <i>Change Orders/Modifications</i>            | 92                          | 5                                     | 460                | 0.13                                   |
| <b>Total</b>                                  | <b>248</b>                  |                                       |                    | <b>0.93</b>                            |

#### Cycle Time Analysis

The average cycle time between entering the requisition and awarding a purchase order for all construction actions was 150 days. The table to the right indicates the average cycle time for construction actions broken out by dollar threshold.

| Threshold               | Average Cycle Time (days) |
|-------------------------|---------------------------|
| <b>\$3K and Below</b>   | 95                        |
| <b>\$3,001 to \$5K</b>  | 44                        |
| <b>\$5,001 to \$30K</b> | 101                       |
| <b>Exceeds \$30K</b>    | 209                       |

While the total cycle time for purchasing actions below \$3K was 95 days, 11 of the requisitions in this threshold were of zero dollar value. If these requisitions are eliminated from the analysis, the average cycle time for these actions is only 23 days.

#### ***Purchased Services (\$17.98M)***

#### Volume of Spend

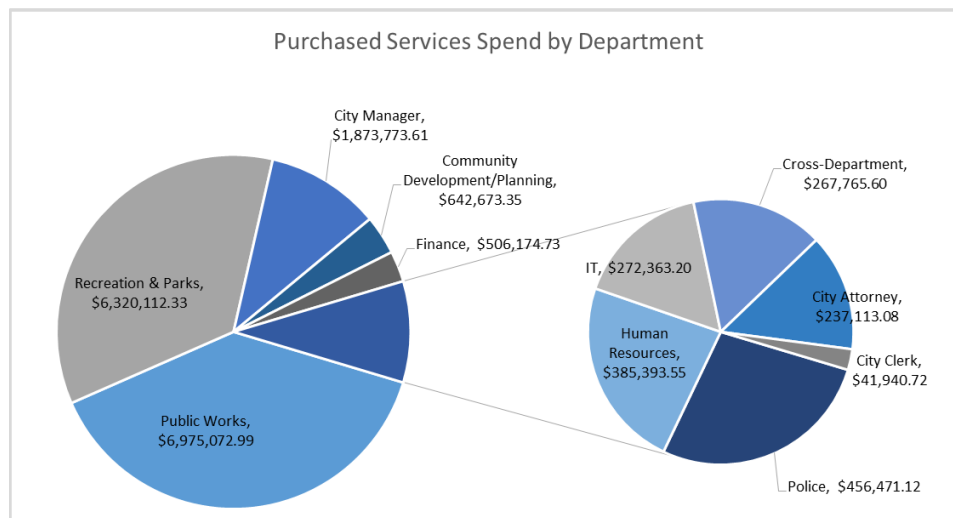
The purchased services category is comprised of 25 subcategories:

|                               |          |     |
|-------------------------------|----------|-----|
| Architectural and Engineering | \$4.36M  | 24% |
| Consulting Services           | \$2.45M  | 14% |
| Landscaping Services          | \$1.9M   | 11% |
| Environmental Services        | \$1.84M  | 10% |
| Health and Human Services     | \$1.49M  | 8%  |
| Education and Training        | \$1.09M  | 6%  |
| Inspection Services           | \$836.5K | 5%  |
| Personnel Services            | \$722.5K | 4%  |
| Equipment Maintenance         | \$506.2K | 3%  |
| Financial Services            | \$469.4K | 3%  |

|                                       |          |     |
|---------------------------------------|----------|-----|
| Janitorial Services                   | \$437.9K | 2%  |
| Communications Services               | \$295.3K | 2%  |
| Transportation                        | \$279.5K | 2%  |
| Safety and Security Services          | \$27K    | 2%  |
| Legal Services                        | \$191.8K | 1%  |
| Printing Services                     | \$187.2K | 1%  |
| Waste Removal                         | \$147.6K | 1%  |
| Historical Studies and Services       | \$109K   | 1%  |
| Other Contract Services               | \$108.8K | 1%  |
| Other Contracted Services - Buildings | \$107.4K | 1%  |
| Moving Services                       | \$50.5K  | <1% |
| Pest Control                          | \$43.2K  | <1% |
| Other Services                        | \$41.6K  | <1% |
| Mailing Services                      | \$38.4K  | <1% |
| Translation Services                  | \$15.4K  | <1% |

Expenditures currently categorized with only the object codes “Other Contracted Services – Buildings” and “Other Contract Services” should be validated with line item expense detail. This data was not available at the time of this analysis.

The following chart shows the breakout of expenditures by department:



Analysis of the purchased services category indicates that Public Works purchases 38%, or \$6.9M, of total category spend per biennium. Recreation and Parks accounts for a further 35%, or \$6.3M, of total biennial spend for the category. The City Manager’s office represents 10%, or \$1.8M, of biennial spend. 1.5% of biennial spend, or \$267.7K, is for expenditures not associated with a specific department. The remaining spend is spread over seven additional departments.

#### Analysis of Expenditure Type

80.77% of all purchased services expenditures are made using a purchase order. Master agreement payments represent 9.14% of purchased services expenditures, while P-card and GAX payments together represent 10% of all purchased services payments as shown in the following table.

| Expenditure Type          | Total Expenditures | Percent of Total Expenditures | Total Number of Actions* | Average Transaction Value |
|---------------------------|--------------------|-------------------------------|--------------------------|---------------------------|
| Purchase Orders           | \$ 14,521,734.89   | 80.77%                        | 384                      | \$ 37,817.02              |
| Master Agreement Payments | \$ 1,642,390.41    | 9.14%                         | 541                      | \$ 3,035.84               |
| GAX Payments              | \$ 1,148,949.24    | 6.39%                         | 1,093                    | \$ 1,051.19               |
| p-card Payments           | \$ 665,779.74      | 3.70%                         | 1,663                    | \$ 400.35                 |

\*Number of transactions include modifications to purchase orders and master agreements.

GAX payments were associated with 22 object codes within the purchased services category as shown in the following table:

|                                |          |     |
|--------------------------------|----------|-----|
| Outside Trainers               | \$233.7K | 20% |
| Bond Counsel/Fin Advsr Ser     | \$215.5K | 19% |
| Legal Fees                     | \$84.2K  | 7%  |
| Contract Services-Other        | \$83.8K  | 7%  |
| Contracted Servs-Buildings     | \$81K    | 7%  |
| Contracted Transp Services     | \$78.8K  | 7%  |
| Advertising-Non Recruitment    | \$62.2K  | 5%  |
| Contracted Servs-Grounds       | \$53.4K  | 5%  |
| Planning/Design-Cip            | \$50.3K  | 4%  |
| Relocation Expenses            | \$40.3K  | 4%  |
| Class/Professional Development | \$36.6K  | 3%  |
| Printing Contracts             | \$35.3K  | 3%  |
| Recruitment Expense            | \$32.4K  | 3%  |
| Consultants                    | \$25.9K  | 2%  |
| Temporary Agency Personnel     | \$11.6K  | 1%  |
| Audit/Actuarial/Accountants    | \$5.7K   | 1%  |
| Veternary Services             | \$4.7K   | <1% |
| Medical Exams                  | \$4.5K   | <1% |
| Janitorial Services            | \$3.6K   | <1% |
| Contracted Refuse Service      | \$2.5K   | <1% |
| Banking/Investmt Ser           | \$1.5K   | <1% |
| Other Contracted Eq Repair     | \$1.2K   | <1% |

46 GAX payments, or 4.2% of all GAX transactions in this category, were above \$3,000. Of these 25 were for services considered to be exempt from the requirements for competitive procurement under City Code sec. 17-87 and 12 were for bond counsel or other financial services. Six payments were for “contracted services” object codes; however, there is no information regarding whether these payments were made against existing contracts provided in the available data. One GAX payment of \$10,499.65 was made to pay an invoice that was submitted after the purchase order was closed at the end of the fiscal year indicating the requirement had been awarded through the purchasing process. The remaining two transactions relate to printing the annual budget and services provided during a staff retreat, it is not known from the available data whether these payments were made against contracts awarded through the purchasing process.

There were no instances in which multiple GAX payments were made for the same item on the same date and the total value of all transactions exceeded \$3,000; however, there were 462 transactions lacking the level of detail needed to determine whether splitting may have occurred. The data does state that the pricing for several payments was based on an existing invitation for bid; however, it is not clear whether the specific requirements covered by the GAX payment were included in the original solicitation.

There are several types of services being purchased with GAX payments that are commonly obtained through the formal purchasing process by other entities, such as financial services, non-specialized legal services, temporary staffing, and sign printing. Outside instructors for specialized programs and activities could also be obtained through a competitive process as indicated by the recent issuance of an RFP in one area jurisdiction (Loudon County) to solicit proposals for specialized programs and camp instructors. Services for sports, community centers, specialty camps, senior programs, parks, and recreation centers are all covered by the RFP.

20 object Codes within purchased services were also associated with P-cards as shown in the following table:

|                                |         |     |
|--------------------------------|---------|-----|
| Class/Professional Development | \$278K  | 42% |
| Outside Trainers               | \$77.2K | 12% |
| Advertising-Non Recruitment    | \$74.2K | 11% |
| Contracted Transp Services     | \$34.5K | 5%  |

|                            |          |     |
|----------------------------|----------|-----|
| Recruitment Expense        | \$32.6K  | 5%  |
| Medical Exams              | \$29.2K  | 4%  |
| Contracted Servs-Buildings | \$26.5K  | 4%  |
| Contract Services-Other    | \$25K    | 4%  |
| Other Contracted Eq Repair | \$24.6K  | 4%  |
| Printing Contracts         | \$24K    | 4%  |
| Contracted Servs-Grounds   | \$12.8K  | 2%  |
| Janitorial Services        | \$8.6K   | 1%  |
| Planning/Design-Cip        | \$8.5K   | 1%  |
| Relocation Expenses        | \$3.9K   | 1%  |
| Veternary Services         | \$3K     | <1% |
| Contracted Refuse Service  | \$2.1K   | <1% |
| Bond Counsel/Fin Advsr Ser | \$776.50 | <1% |
| Consultants                | \$153.11 | <1% |
| Uniform Cleaning           | \$102.90 | <1% |
| Contracted Lab Services    | \$95.00  | <1% |

All P-card transactions for items in the purchased services category were below \$3,000. There were five instances in which multiple transactions were completed for the same item on the same date and the total value of all transactions exceeded \$3,000. It is unclear from the available data whether these requirements were split in order to remain under the required threshold.

#### Method of Procurement Analysis

The number of procurement actions for purchased services completed by Purchasing staff over the two year period from FY2014 and FY2015 is shown in the following table:

| Method of Procurement                               | Number of Procurement Actions | Total Value of Procurement Actions |
|---|-------------------------------|------------------------------------|
| Small Purchase (at or under \$3K)                   | 3                             | \$5,536.00                         |
| Request for Quote (RFQ)                             | 11                            | \$56,876.08                        |
| Invitation for Bid (IFB)                            | 24                            | \$805,720.36                       |
| Request for Proposal (RFP)                          | 19                            | \$1,550,606.07                     |
| Release Against Rider Contract                      | 33                            | \$852,635.42                       |
| Sole Source   | 2                             | \$17,847.60                        |
| Emergency Procurement                               | 2                             | \$7,802.35                         |
| Purchases Exempt from Competition per the City Code | 146                           | \$3,897,823.16                     |
| Change Orders/Modifications                         | 122                           | \$3,316,277.89                     |
| Task/Delivery Orders Against Contracts              | 113                           | \$6,901,438.31                     |

49% of all purchased services actions were either for modifications to POs and master agreements or to create POs and master agreements against existing contracts. An additional 7% of the completed actions were to create POs and master agreements against a “rider” contract, while competitive solicitations account for 11% of the activity completed for purchased services requirements. 31% of procurement actions completed for purchased services were considered to be exempt from the requirements for competitive procurement, an additional 1% were for sole source and emergency procurements.

#### Level of Effort Analysis

Based on the methodology described above, 1.85 FTEs were required to complete all purchasing activity for purchased services during the two year period from FY2014 to FY2015 as shown in the following table:



### Headcount Requirement Analysis – Purchased Services

| Contract Action Type                   | Number of Actions Completed | Hours Per Action (based on GSA study) | Total Annual Hours | Total FTEs Required (Total Hours/3614) |
|--|-----------------------------|---------------------------------------|--------------------|--|
| Acquisitions at or under \$3K          | 3                           | 13.5                                  | 40.5               | 0.01                                   |
| Open Market Acquisitions (RFQ)         | 11                          | 22.8                                  | 250.8              | 0.07                                   |
| Open Market Acquisitions (IFB and RFP) | 43                          | 55.5                                  | 2386.5             | 0.66                                   |
| Task/Delivery Orders Against Contracts | 113                         | 9.5                                   | 1073.5             | 0.30                                   |
| Releases Against “Rider” Contracts     | 33                          | 9.5                                   | 313.5              | 0.09                                   |
| Non-Competitive Awards                 | 150                         | 13.5                                  | 2025               | 0.56                                   |
| Change Orders/Modifications            | 122                         | 5                                     | 610                | 0.17                                   |
| <b>Total</b>                           | <b>475</b>                  |                                       |                    | <b>1.85</b>                            |

### Cycle Time Analysis

The average cycle time between entering the requisition and awarding a purchase order for all purchased services actions was 124.5 days. The table to the right indicates the average cycle time for purchased services actions broken out by dollar threshold.

| Threshold        | Average Cycle Time (days) |
|------------------|---------------------------|
| \$3K and Below   | 52                        |
| \$3,001 to \$5K  | 31                        |
| \$5,001 to \$30K | 116                       |
| Exceeds \$30K    | 193                       |

### Insurance (\$10.79M)

#### Volume of Spend

The insurance category is comprised of nine subcategories:

|                        |          |     |
|------------------------|----------|-----|
| Group Health           | \$6.62M  | 61% |
| Workers' Compensation  | \$2.01M  | 19% |
| Liability Insurance    | \$1.07M  | 10% |
| Retiree Health Care    | \$376.6K | 3%  |
| Group Dental           | \$222.4K | 2%  |
| Group Life             | \$184.5K | 2%  |
| Property Insurance     | \$134.5K | 1%  |
| Deductible             | \$109.7K | 1%  |
| Unemployment Insurance | \$63.3K  | 1%  |

100% of insurance expenditures are considered cross-department based on the data provided. All contracts for insurance are awarded outside the regular purchasing process.

### Analysis of Expenditure Type

All insurance payments are made using the GAX system. There are no requisitions, purchase orders, or master agreements related to insurance.

### Method of Procurement Analysis

No data is available on the method of procurement for insurance as these requirements are purchased directly by the departments. Purchasing could be involved in awarding these requirements using a formal competitive process such as an invitation for bid or request for proposal.

### Level of Effort Analysis

No data is available on the number of FTEs required to complete purchases for insurance as these requirements are purchased directly by the departments.

### Cycle Time Analysis

No data is available on the cycle time for completing purchases for insurance as these requirements are purchased directly by the departments.



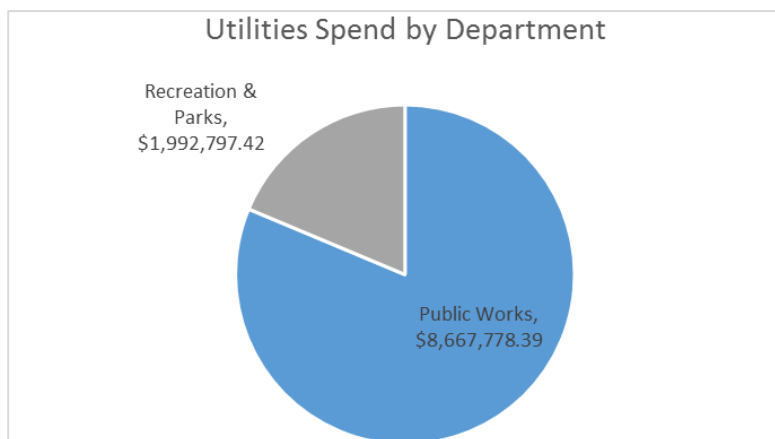
## Utilities (\$10.66M)

### Volume of Spend

The utilities category is comprised of five object Codes (WSSC Capacity Prov Contracts, Electricity, Purchase of WSSC Water, Water, Sewer Expense) which can be categorized into three subcategories:

|             |          |     |
|-------------|----------|-----|
| Water       | \$6.075M | 57% |
| Electricity | \$4.58M  | 43% |
| Sewer       | \$3.5K   | <1% |

The following chart shows the breakout of expenditures by department:



Analysis of the utilities category indicates that Public Works purchases 81%, or \$8.66M, of total category spend per biennium. Recreation and Parks accounts for the remaining 19%, or \$1.99M, of total biennial spend for the category.

All contracts for utilities are awarded outside the regular purchasing process.

### ***Analysis of Expenditure Type***

100% of utilities payments are made using the GAX system with the exception of one P-card transaction in the amount of \$85.05 coded to the electricity object code. This transaction should be validated based on line item expense detail. There are no requisitions, purchase orders, or master agreements related to utilities.

### ***Method of Procurement Analysis***

No data is available on the method of procurement for utilities as these requirements are purchased directly by the departments.

### ***Level of Effort Analysis***

No data is available on the number of FTEs required to complete purchases for utilities as these requirements are purchased directly by the departments.

### ***Cycle Time Analysis***

No data is available on the cycle time for completing purchases for utilities as these requirements are purchased directly by the departments.

## Supplies (\$9.3M)

### Volume of Spend

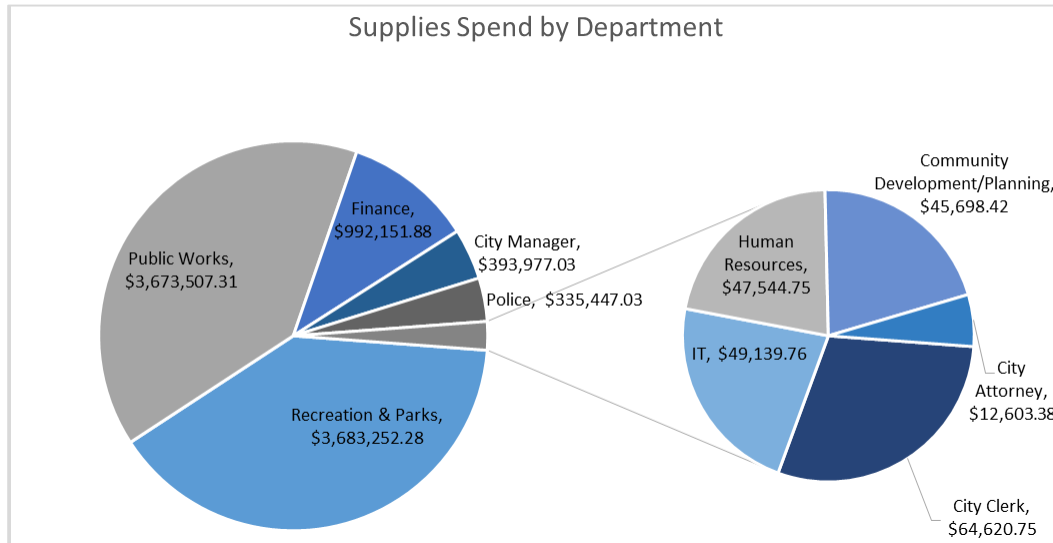
The supplies category is comprised of 13 subcategories:

|                            |          |     |
|----------------------------|----------|-----|
| MRO Supplies               | \$3.05M  | 33% |
| Other Program Supplies     | \$1.54M  | 17% |
| Chemicals                  | \$1.13M  | 12% |
| Snow Removal and Road Salt | \$909.7K | 10% |

|                                  |          |     |
|----------------------------------|----------|-----|
| Road Construction Materials      | \$894.4K | 10% |
| Building Materials               | \$421.4K | 5%  |
| Clothing, Apparel, Uniforms      | \$372.3K | 4%  |
| Office Supplies                  | \$367.7K | 4%  |
| Education, Recreation, and Pools | \$361.6K | 4%  |
| Landscaping Supplies             | \$103.3K | 1%  |
| Office Furniture                 | \$75.3K  | 1%  |
| Safety and Security Supplies     | \$48.1K  | 1%  |
| Other Supplies                   | \$25.7K  | <1% |

Expenditures currently categorized with only the object Codes “Other Program Supplies” should be validated with line item expense detail.

The following chart shows the breakout of expenditures by department:



Analysis of the supplies category indicates that Recreation and Parks purchases 39%, or \$3.68M, of total category spend per biennium. Public Works accounts for a further 39%, or \$3.67M, of total biennial spend for the category. Finance represents 10.67%, or \$992.1K, of biennial spend. 4.2% of biennial spend, or \$393.9K, is for expenditures associated with the City Manager’s office while the Police department represents a further 3%, or \$335.4K, of expenditures for supplies. The remaining spend is spread over five additional departments.

#### Analysis of Expenditure Type

48.28% of all supplies expenditures are made using a purchase order. Purchase card payments represent 28.39% of supplies expenditures, while master agreement and GAX payments together represent less than 25% of all supplies payments as shown in the following table:

| Expenditure Type          | Total Expenditures | Percent of Total Expenditures | Total Number of Actions* | Average Transaction Value |
|---------------------------|--------------------|-------------------------------|--------------------------|---------------------------|
| Purchase Orders           | \$ 4,488,947.22    | 48.28%                        | 141                      | \$ 31,836.51              |
| P-card Payments           | \$ 2,639,870.03    | 28.39%                        | 11,445                   | \$ 230.66                 |
| Master Agreement Payments | \$ 1,200,555.88    | 12.91%                        | 430                      | \$ 2,791.99               |
| GAX Payments              | \$ 968,569.46      | 10.42%                        | 2,051                    | \$ 472.24                 |

\*Number of transactions include modifications to purchase orders and master agreements.

GAX payments were associated with 11 object Codes within the supplies category as shown in the following table:

|                         |          |     |
|-------------------------|----------|-----|
| Program Supplies        | \$344.6K | 36% |
| Postage                 | \$256.3K | 26% |
| Mrpa Theme Park Tickets | \$192.4K | 20% |

|                               |          |     |
|-------------------------------|----------|-----|
| Purchased Unfrms/Stf Tshrts   | \$68.3K  | 7%  |
| Maintenance Supplies          | \$62.7K  | 6%  |
| Chemicals                     | \$26.9K  | 3%  |
| Uniform Rental                | \$8.5K   | 1%  |
| Trophies And Award            | \$7.3K   | 1%  |
| Linkages To Learning Supplies | \$856.27 | <1% |
| Board And Commission Supls    | \$571.41 | <1% |
| Computer Supplies             | \$206.26 | <1% |

43 GAX payments, or 2% of all GAX transactions in this category, were above \$3,000. These purchases were all for Postage or Mrpa Theme Park Tickets with the exception of one \$7,652.79 purchase for chemicals that was approved by Purchasing and one \$3,045.50 purchase for program supplies. There were three instances in which multiple GAX payments were made for the same item on the same date and the total value of all transactions exceeded \$3,000. Two of these instances were for water treatment chemicals, it is unclear from the available data whether these requirements were split in order to remain under the required threshold. The data indicate the third instance was for items that were exempt from competitive bidding under City Code sec. 17-72. There were 775 GAX transactions lacking the level of detail needed to determine whether splitting may have occurred.

Ten object codes within the supplies category were associated with P-cards as shown in the following table:

|                               |          |     |
|-------------------------------|----------|-----|
| Program Supplies              | \$1.2M   | 45% |
| Maintenance Supplies          | \$1.1M   | 44% |
| Uniform Rental                | \$104.4K | 4%  |
| Purchased Unfrms/Stf Tshrts   | \$94.6K  | 4%  |
| Computer Supplies             | \$50.9K  | 2%  |
| Chemicals                     | \$23.5K  | 1%  |
| Postage                       | \$5.5K   | <1% |
| Linkages To Learning Supplies | \$4.5K   | <1% |
| Board And Commission Supls    | \$2.8K   | <1% |
| Trophies And Award            | \$191.30 | <1% |

Two P-card transactions for supplies exceeded \$3,000; one was for an emergency purchase of \$4,424.00 and the other was for a sole source item for \$3,424.00. The remaining 11,443 P-card transactions for items in the supplies category were below \$3,000. There were three instances in which multiple transactions were completed for the same item on the same date and the total value of all transactions exceeded \$3,000. In all three cases, the data indicate that the transactions were made for items under an existing contract.

#### Method of Procurement Analysis

The number of procurement actions for supplies completed by Purchasing staff over the two year period from FY2014 and FY2015 is shown in the following table:

| Method of Procurement                               | Number of Procurement Actions | Total Value of Procurement Actions |
|---|-------------------------------|------------------------------------|
| Small Purchase (at or under \$3K)                   | 4                             | \$6,023.17                         |
| Request for Quote (RFQ)                             | 21                            | \$157,378.86                       |
| Invitation for Bid (IFB)                            | 11                            | \$1,285,360.84                     |
| Request for Proposal (RFP)                          | 1                             | \$24,000.00                        |
| Release Against Rider Contract                      | 86                            | \$1,632,056.59                     |
| Sole Source   | 1                             | \$22,280.00                        |
| Emergency Procurement                               | 2                             | \$25,591.50                        |
| Purchases Exempt from Competition per the City Code | 10                            | \$187,266.14                       |
| Change Orders/Modifications                         | 46                            | \$2,209,287.20                     |
| Task/Delivery Orders Against Contracts              | 31                            | \$1,273,849.74                     |

40% of the completed actions were to create POs and master agreements against a “rider” contract. An additional 36% of all supplies procurement actions were either for modifications to POs and master agreements or to create POs and master agreements against existing contracts. Competitive solicitations account for 15% of the activity completed for supplies. 5% of procurement actions completed for supplies were considered to be exempt from the requirements for competitive procurement, while emergency and sole source procurements account for 1% of the total actions for supplies.

#### Level of Effort Analysis

Based on the methodology described above, 0.75 FTEs were required to complete all purchasing activity for supplies during the two year period from FY2014 to FY2015 as shown in the following table:

#### **Headcount Requirement Analysis – Supplies**

| Contract Action Type                   | Number of Actions Completed | Hours Per Action (based on GSA study) | Total Annual Hours | Total FTEs Required (Total Hours/3614) |
|--|-----------------------------|---------------------------------------|--------------------|--|
| Acquisitions at or under \$3K          | 4                           | 13.5                                  | 54                 | 0.01                                   |
| Open Market Acquisitions (RFQ)         | 21                          | 22.8                                  | 478.8              | 0.13                                   |
| Open Market Acquisitions (IFB and RFP) | 12                          | 55.5                                  | 666                | 0.18                                   |
| Task/Delivery Orders Against Contracts | 31                          | 9.5                                   | 294.5              | 0.08                                   |
| Releases Against “Rider” Contracts     | 86                          | 9.5                                   | 817                | 0.23                                   |
| Non-Competitive Awards                 | 13                          | 13.5                                  | 175.5              | 0.05                                   |
| Change Orders/Modifications            | 46                          | 5                                     | 230                | 0.06                                   |
| <b>Total</b>                           | <b>213</b>                  |                                       |                    | <b>0.75</b>                            |

#### Cycle Time Analysis

The average cycle time between entering the requisition and awarding a purchase order for all supplies actions was 68 days. The table to the right indicates the average cycle time for supplies actions broken out by dollar threshold.

| Threshold               | Average Cycle Time (days) |
|-------------------------|---------------------------|
| <b>\$3K and Below</b>   | 9.5                       |
| <b>\$3,001 to \$5K</b>  | 29                        |
| <b>\$5,001 to \$30K</b> | 79.5                      |
| <b>Exceeds \$30K</b>    | 125                       |

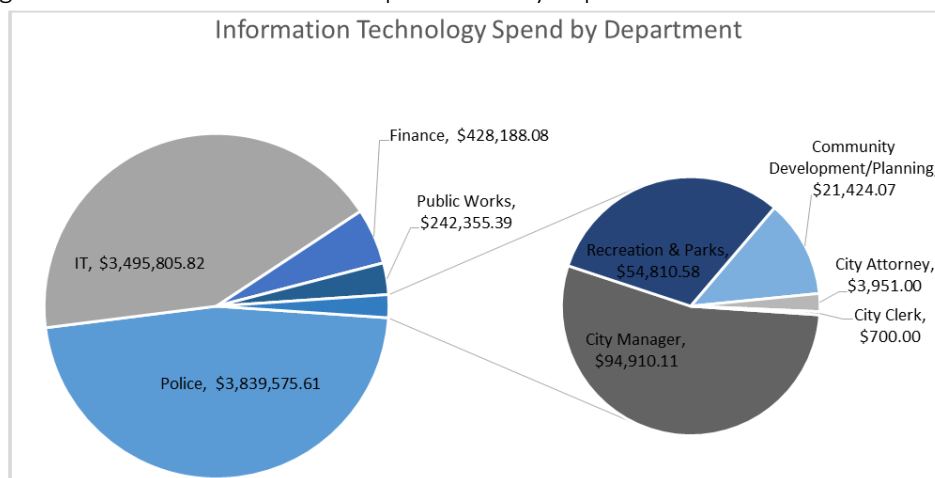
#### **Information Technology (\$8.18M)**

#### Volume of Spend

The information technology category is comprised of nine subcategories:

|                               |          |     |
|-------------------------------|----------|-----|
| Maintenance and Subscriptions | \$3.44M  | 42% |
| Management Services           | \$2.88M  | 35% |
| Telecommunications Equipment  | \$861.5K | 11% |
| Telecommunications Services   | \$483.4K | 6%  |
| Data Processing               | \$216.4K | 3%  |
| IT Hardware                   | \$170K   | 2%  |
| Access Services, Data         | \$63.7K  | 1%  |
| Software                      | \$36.1K  | <1% |
| Other IT Services             | \$33K    | <1% |

The following chart shows the breakout of expenditures by department:



Analysis of the information technology category indicates that the Police Department purchases 47%, or \$3.8M, of total category spend per biennium. IT accounts for a further 43%, or \$3.5M, of total biennial spend for the category. Finance represents 5.2%, or \$428.2K, of biennial spend. The remaining spend is spread over six additional departments.

#### Analysis of Expenditure Type

97.24% of all information technology expenditures are made using a purchase order. Purchase card payments represent 1.6% of information technology expenditures, while the remaining 1.17% of payments are made using the GAX system, as shown in the table below. No information technology payments were made against master agreements.

| Expenditure Type | Total Expenditures | Percent of Total Expenditures | Total Number of Actions* | Average Transaction Value |
|------------------|--------------------|-------------------------------|--------------------------|---------------------------|
| Purchase Orders  | \$ 7,955,525.07    | 97.24%                        | 264                      | \$ 30,134.56              |
| P-card Payments  | \$ 130,565.42      | 1.60%                         | 256                      | \$ 510.02                 |
| GAX Payments     | \$ 95,630.17       | 1.17%                         | 234                      | \$ 408.68                 |

\*Number of transactions include modifications to purchase orders and master agreements.

GAX payments were used to purchase nine object codes within the information technology category as shown in the following table:

|                                      |          |     |
|--------------------------------------|----------|-----|
| Communications Equip Maint           | \$28.6K  | 30% |
| Software Maintenance & Subscriptions | \$27.4K  | 29% |
| Telephone Service                    | \$17.9K  | 19% |
| Data Processing Services             | \$8.7K   | 9%  |
| Cellular Service                     | \$7.3K   | 8%  |
| Computer Eq Maintenance              | \$2.4K   | 3%  |
| Communications Equipment             | \$2.1K   | 2%  |
| Computer Equipment                   | \$906.00 | 1%  |
| Computer Software                    | \$245.00 | <1% |

One GAX payment in this category for software maintenance and subscriptions was above \$3,000. The data indicate this purchase was exempt from competitive bidding under City Code sec. 17-87. There were two instances in which multiple GAX payments were made for the same item on the same date and the total value of all transactions exceeded \$3,000. One instance was for software maintenance and subscriptions and the other was for telephone service. It is unclear from the available data whether these requirements were covered under an existing contract. There were 56 GAX transactions lacking the level of detail needed to determine whether splitting may have occurred.

Eight object codes within the information technology category were purchased with P-cards as shown in the following table:

|                                      |          |     |
|--------------------------------------|----------|-----|
| Computer Equipment                   | \$54.4K  | 42% |
| Computer Software                    | \$26.2K  | 20% |
| Software Maintenance & Subscriptions | \$24.5K  | 19% |
| Communications Equipment             | \$7.1K   | 5%  |
| Communications Equip Maint           | \$7K     | 5%  |
| Telephone Service                    | \$5.5K   | 4%  |
| Cellular Service                     | \$5.3K   | 4%  |
| Computer Eq Maintenance              | \$441.23 | <1% |

No P-card transactions for supplies exceeded \$3,000. There were no instances in which multiple P-card transactions were completed for the same item on the same date and the total value of all transactions exceeded \$3,000.

#### Method of Procurement Analysis

The number of procurement actions for information technology completed by Purchasing staff over the two year period from FY2014 and FY2015 is shown in the following table:

| Method of Procurement                               | Number of Procurement Actions | Total Value of Procurement Actions |
|---|-------------------------------|------------------------------------|
| Small Purchase (at or under \$3K)                   | 15                            | \$17,061.72                        |
| Request for Quote (RFQ)                             | 4                             | \$44,731.28                        |
| Invitation for Bid (IFB)                            | 1                             | \$12,000.00                        |
| Request for Proposal (RFP)                          | 1                             | \$8,679.00                         |
| Release Against Rider Contract                      | 124                           | \$6,316,766.42                     |
| Sole Source   | 9                             | \$345,880.86                       |
| Emergency Procurement                               | 2                             | \$25,392.50                        |
| Purchases Exempt from Competition per the City Code | 73                            | \$948,659.85                       |
| Change Orders/Modifications                         | 34                            | \$234,671.30                       |
| Task/Delivery Orders Against Contracts              | 4                             | \$85,217.55                        |

46% of the completed actions were to create POs and master agreements against a “rider” contract, while competitive solicitations account for only 2% of the activity completed for information technology. 14% of all information technology procurement actions were either for modifications to POs and master agreements or to create POs and master agreements against existing contracts. 27% of procurement actions completed for information technology were considered to be exempt from the requirements for competitive procurement, a further 3% were completed as sole source procurements.

#### Level of Effort Analysis

Based on the methodology described above, 0.81 FTEs were required to complete all purchasing activity for information technology during the two year period from FY2014 to FY2015 as shown in the following table:

#### **Headcount Requirement Analysis – Information Technology**

| Contract Action Type                   | Number of Actions Completed | Hours Per Action (based on GSA study) | Total Annual Hours | Total FTEs Required (Total Hours/3614) |
|--|-----------------------------|---------------------------------------|--------------------|--|
| Acquisitions at or under \$3K          | 15                          | 13.5                                  | 202.5              | 0.06                                   |
| Open Market Acquisitions (RFQ)         | 4                           | 22.8                                  | 91.2               | 0.03                                   |
| Open Market Acquisitions (IFB and RFP) | 2                           | 55.5                                  | 111                | 0.03                                   |
| Task/Delivery Orders Against Contracts | 4                           | 9.5                                   | 38                 | 0.01                                   |
| Releases Against “Rider” Contracts     | 124                         | 9.5                                   | 1178               | 0.33                                   |
| Non-Competitive Awards                 | 84                          | 13.5                                  | 1134               | 0.31                                   |
| Change Orders/Modifications            | 34                          | 5                                     | 170                | 0.05                                   |
| <b>Total</b>                           | <b>267</b>                  |                                       |                    | <b>0.81</b>                            |

### Cycle Time Analysis

The average cycle time between entering the requisition and awarding a purchase order for all information technology actions was 57 days. The table to the right indicates the average cycle time for information technology actions broken out by dollar threshold.

| Threshold        | Average Cycle Time (days) |
|------------------|---------------------------|
| \$3K and Below   | 41                        |
| \$3,001 to \$5K  | 38                        |
| \$5,001 to \$30K | 63                        |
| Exceeds \$30K    | 80                        |

The information technology category has a lower cycle time when compared to other categories due to the high use of “rider” contracts to meet category requirements.

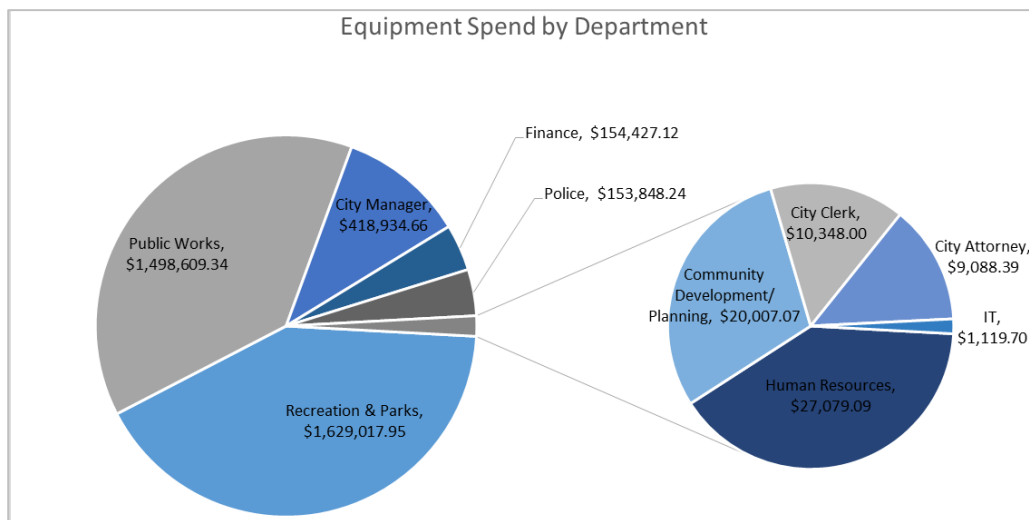
### Equipment (\$3.92M)

#### Volume of Spend

The equipment category is comprised of 13 subcategories:

|                                  |          |     |
|----------------------------------|----------|-----|
| Equipment Parts                  | \$769.8K | 20% |
| Education, Recreation, and Pools | \$663K   | 17% |
| Water Treatment Equipment        | \$472.4K | 12% |
| Lighting Equipment               | \$387.2K | 10% |
| Office Equipment                 | \$367.7K | 9%  |
| Audio/Video Equipment            | \$366.5K | 9%  |
| Construction Equipment           | \$315.1K | 8%  |
| Industrial Equipment             | \$188K   | 5%  |
| Traffic Control Equipment        | \$128.1K | 3%  |
| Safety and Security Equipment    | \$108.4K | 3%  |
| Material Handling Equipment      | \$79.4K  | 2%  |
| Landscaping Equipment            | \$45.3K  | 1%  |
| Other Equipment                  | \$31.9K  | 1%  |

The following chart shows the breakout of expenditures by department:



Analysis of the equipment category indicates that Recreation and Parks purchases 41.5%, or \$1.63M, of total category spend per biennium. Public Works accounts for a further 38%, or \$1.5M, of total biennial spend for the category. The City Manager’s office represents 10%, or \$418.9K, of biennial spend. The remaining spend is spread over seven additional departments.

### Analysis of Expenditure Type

70.13% of all equipment expenditures are made using a purchase order. Purchase card payments represent 22.09% of equipment expenditures, while the remaining 7.78% of payments are made against master agreements or using the GAX system as shown in the following table:

| <i>Expenditure Type</i>          | <i>Total Expenditures</i> | <i>Percent of Total Expenditures</i> | <i>Total Number of Actions*</i> | <i>Average Transaction Value</i> |
|----------------------------------|---------------------------|--------------------------------------|---------------------------------|----------------------------------|
| <i>Purchase Orders</i>           | \$2,750,757.42            | 70.13%                               | 129                             | \$ 21,323.70                     |
| <i>P-card Payments</i>           | \$866,309.67              | 22.09%                               | 4,828                           | \$ 423.16                        |
| <i>Master Agreement Payments</i> | \$159,000.56              | 4.05%                                | 580                             | \$ 179.43                        |
| <i>GAX Payments</i>              | \$146,411.91              | 3.73%                                | 346                             | \$ 274.14                        |

\*Number of transactions include modifications to purchase orders and master agreements.

GAX payments were used to purchase eight object codes within the equipment category as shown in the following table:

|                                |         |     |
|--------------------------------|---------|-----|
| Heavy Equipment Rental         | \$45K   | 31% |
| Equipment Parts                | \$42.8K | 29% |
| Furniture & Equipment < \$5000 | \$35.9K | 25% |
| Office Eqp Service/Maintenance | \$13.3K | 9%  |
| Other Eqp Lease                | \$3.5K  | 2%  |
| Alarm System                   | \$3K    | 2%  |
| Equipment & Tools              | \$1.8K  | 1%  |
| Water Meters                   | \$1K    | 1%  |

No GAX transactions in this category were above \$3,000. There was one instance in which multiple GAX payments were made for the same item on the same date and the total value of all transactions exceeded \$3,000. It is unclear from the available data whether these requirements were split in order to remain under the required threshold. There were 69 GAX transactions lacking the level of detail needed to determine whether splitting may have occurred.

Eight object codes within the equipment category were also associated with P-cards as shown in the following table:

|                                |          |     |
|--------------------------------|----------|-----|
| Equipment Parts                | \$727K   | 84% |
| Furniture & Equipment < \$5000 | \$72.8K  | 8%  |
| Heavy Equipment Rental         | \$32.9K  | 4%  |
| Equipment & Tools              | \$23.7K  | 3%  |
| Office Eqp Service/Maintenance | \$6.3K   | 1%  |
| Other Eqp Lease                | \$1.7K   | <1% |
| Office Equipment Rental        | \$1.6K   | <1% |
| Alarm System                   | \$189.39 | <1% |

One P-card transaction for equipment exceeded \$3,000, the data indicate this was for an emergency purchase that was approved by Purchasing. There were no instances in which multiple transactions were completed for the same item on the same date and the total value of all transactions exceeded \$3,000.

#### Method of Procurement Analysis

The number of procurement actions for equipment completed by Purchasing staff over the two year period from FY2014 and FY2015 is shown in the following table:

| <b>Method of Procurement</b>                        | <b>Number of Procurement Actions</b> | <b>Total Value of Procurement Actions</b> |
|---|--------------------------------------|---|
| Small Purchase (at or under \$3K)                   | 0                                    | \$-                                       |
| Request for Quote (RFQ)                             | 9                                    | \$83,328.54                               |
| Invitation for Bid (IFB)                            | 8                                    | \$359,379.27                              |
| Request for Proposal (RFP)                          | 1                                    | \$377,985.00                              |
| Release Against Rider Contract                      | 92                                   | \$1,403,741.70                            |
| Sole Source   | 10                                   | \$150,723.96                              |
| Emergency Procurement                               | 1                                    | \$3,998.96                                |
| Purchases Exempt from Competition per the City Code | 3                                    | \$18,804.16                               |
| Change Orders/Modifications                         | 25                                   | \$370,105.66                              |
| Task/Delivery Orders Against Contracts              | 3                                    | \$10,676.50                               |



61% of the completed actions were to create POs and master agreements against a “rider” contract, while competitive solicitations account for 12% of the activity completed for equipment. 18% of all equipment procurement actions were either for modifications to POs and master agreements or to create POs and master agreements against existing contracts. 2% of procurement actions completed for equipment were considered to be exempt from the requirements for competitive procurement, a further 7% were completed as sole source procurements.

#### Level of Effort Analysis

Based on the methodology described above, 0.53 FTEs were required to complete all purchasing activity for equipment during the two year period from FY2014 to FY2015 as shown in the following table:

#### **Headcount Requirement Analysis – Equipment**

| Contract Action Type                   | Number of Actions Completed | Hours Per Action (based on GSA study) | Total Annual Hours | Total FTEs Required (Total Hours/3614) |
|--|-----------------------------|---------------------------------------|--------------------|--|
| Acquisitions at or under \$3K          | 0                           | 13.5                                  | 0                  | 0.00                                   |
| Open Market Acquisitions (RFQ)         | 9                           | 22.8                                  | 205.2              | 0.06                                   |
| Open Market Acquisitions (IFB and RFP) | 9                           | 55.5                                  | 499.5              | 0.14                                   |
| Task/Delivery Orders Against Contracts | 3                           | 9.5                                   | 28.5               | 0.01                                   |
| Releases Against “Rider” Contracts     | 92                          | 9.5                                   | 874                | 0.24                                   |
| Non-Competitive Awards                 | 14                          | 13.5                                  | 189                | 0.05                                   |
| Change Orders/Modifications            | 25                          | 5                                     | 125                | 0.03                                   |
| <b>Total</b>                           | <b>152</b>                  |                                       |                    | <b>0.53</b>                            |

#### Cycle Time Analysis

The average cycle time between entering the requisition and awarding a purchase order for all equipment actions was 95 days. The table to the right indicates the average cycle time for equipment actions broken out by dollar threshold.

| Threshold        | Average Cycle Time (days) |
|------------------|---------------------------|
| \$3K and Below   | 90                        |
| \$3,001 to \$5K  | 84                        |
| \$5,001 to \$30K | 93                        |
| Exceeds \$30K    | 127                       |

#### **Other Expenditures (\$3.51M)**

#### Volume of Spend

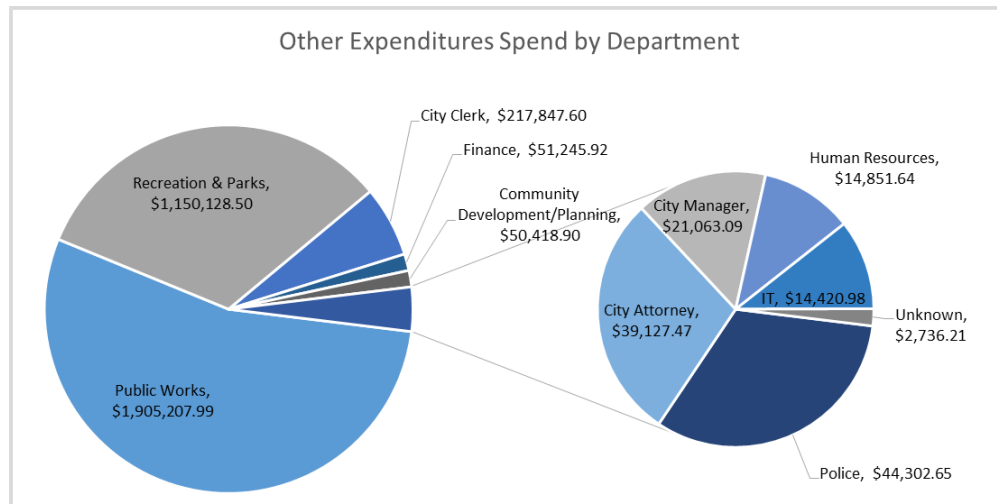
The other expenditures category is comprised of 14 subcategories:

|                            |          |     |
|----------------------------|----------|-----|
| Dues and Fees              | \$2.62M  | 75% |
| Space Rental               | \$353.5K | 10% |
| Artisans                   | \$125.4K | 4%  |
| Travel                     | \$110.2K | 3%  |
| Contract Rprs/Add No Value | \$74.5K  | 2%  |
| Performers                 | \$69.8K  | 2%  |
| Other CIP Expenditures     | \$44.7K  | 1%  |
| Uncategorized Object Code  | \$37K    | 1%  |
| Rockville Fire Department  | \$18.4K  | 1%  |
| Portable Toilet Rental     | \$17.5K  | <1% |
| Special Projects           | \$13.6K  | <1% |
| Archive Services           | \$12.7K  | <1% |
| Senior Supper Club         | \$7.7K   | <1% |
| Credit Card Charges        | \$4.2K   | <1% |

Construction expenditures currently categorized with only the object code “Other CIP Expenditures” include legal expenses involved in bringing a project to completion, assigning the deed, handling land records, and small miscellaneous expenses that are not associated with large contract awards. Expenditures currently categorized with only the object codes “Contract Rprs/Add No Value”, “Rockville

Fire Department”, “Senior Supper Club”, and “Credit Card Charges”, as well as expenditures lacking any commodity or object code, should be validated with line item expense detail.

The following chart show the breakout of expenditures by department:



Analysis of the other expenditures category indicates that Public Works purchases 54%, or \$1.9M, of total category spend per biennium. Recreation and Parks accounts for a further 32%, or \$1.15M, of total biennial spend for the category. The City Clerk represents 6.2%, or \$217.8K, of biennial spend. The remaining spend is spread over seven additional departments as shown in the chart to the right. Department information was not available for \$2,736.21 worth of P-card payments; this represents 0.08% of total expenditures for the category.

#### Analysis of Expenditure Type

71.84% of all purchased in the other expenditures category are associated with GAX payments. Purchase orders represent 14.78% of these purchased, while the remaining 13.39% of payments are made using P-cards or against master agreements. Payments against master agreements account for less than 1% of total expenditures in this category as shown in the following table:

| Expenditure Type          | Total Expenditures | Percent of Total Expenditures | Total Number of Actions* | Average Transaction Value |
|---------------------------|--------------------|-------------------------------|--------------------------|---------------------------|
| GAX Payments              | \$ 2,522,457.90    | 71.84%                        | 713                      | \$ 3,537.81               |
| Purchase Orders           | \$ 518,892.45      | 14.78%                        | 38                       | \$ 13,655.06              |
| p-card Payments           | \$ 466,133.04      | 13.28%                        | 1,376                    | \$ 338.76                 |
| Master Agreement Payments | \$ 3,867.56        | 0.11%                         | 2                        | \$ 1,933.78               |

\*Number of transactions include modifications to purchase orders and master agreements.

GAX payments were used to purchase 12 object codes within the other expenditures category as shown in the table below:

|                            |          |     |
|----------------------------|----------|-----|
| Refuse Dump Fees           | \$1.7M   | 68% |
| SWM Fees                   | \$282K   | 11% |
| Dues, Fees & Publications  | \$251.5K | 10% |
| Artisans                   | \$120.3K | 5%  |
| Contract Rprs/Add No Value | \$50.1K  | 2%  |
| Other Cip Expenditures     | \$41.6K  | 2%  |
| Recycling Process Fees     | \$19.4K  | 1%  |
| Rockville Fire Department  | \$18.4K  | 1%  |
| Travel Outside Metro Area  | \$13.3K  | 1%  |
| Facility Rental            | \$11.8K  | <1% |
| Credit Card Charges        | \$4.2K   | <1% |
| Special Projects           | \$874.37 | <1% |

56 GAX transactions, or 7.8% of all GAX purchases in this category, were above \$3,000. Of these transactions, 53 were for refuse dump fees, SWM fees, various membership fees, recycling process fees, water and sewer charges, and payments for easements. The remaining four payments exceeding \$3,000 included one for "Contract Rprs/Add No Value" with no additional information provided, one to pay an invoice after the purchase order was closed, one that was made against a rider contract, and one that was for an emergency purchase that referenced an existing contract. There were six instances in which multiple GAX payments were made for the same item on the same date and the total value of all transactions exceeded \$3,000; these transactions were for SWM fees, membership fees, and water and sewer charges. It is unclear from the available data why these payments were split. There were 308 GAX transactions lacking the level of detail needed to determine whether splitting may have occurred.

11 object codes within the other expenditures category were also associated with P-cards as shown in the following table:

|                            |          |     |
|----------------------------|----------|-----|
| Facility Rental            | \$140.1K | 30% |
| Dues, Fees & Publications  | \$139.1K | 30% |
| Travel Outside Metro Area  | \$96.9K  | 21% |
| Uncategorized              | \$36.5K  | 8%  |
| Contract Rprs/Add No Value | \$24.4K  | 5%  |
| Special Projects           | \$12.7K  | 3%  |
| Senior Supper Club         | \$7.7K   | 2%  |
| Artisans                   | \$5.1K   | 1%  |
| Other Cip Expenditures     | \$3K     | 1%  |
| Uncategorized Object Code  | \$463.69 | <1% |
| Refuse Dump Fees           | \$20.00  | <1% |

No P-card transactions for other expenditures exceeded \$3,000. There were seven instances in which multiple P-card payments were made for the same item on the same date and the total value of all transactions exceeded \$3,000; six of these instances were for facility rentals for youth activities and one was for hotel accommodations for emergency ice removal crews. It is unclear from the available data why these payments were split. There were 129 P-card transactions lacking the level of detail needed to determine whether splitting may have occurred.

#### Method of Procurement Analysis

The number of procurement actions for other expenditures completed by Purchasing staff over the two year period from FY2014 and FY2015 is shown in the following table:

| Method of Procurement                               | Number of Procurement Actions | Total Value of Procurement Actions |
|---|-------------------------------|------------------------------------|
| Small Purchase (at or under \$3K)                   | 0                             | \$-                                |
| Request for Quote (RFQ)                             | 0                             | \$-                                |
| Invitation for Bid (IFB)                            | 2                             | \$8,123.43                         |
| Request for Proposal (RFP)                          | 0                             | \$-                                |
| Release Against Rider Contract                      | 2                             | \$209,764.68                       |
| Sole Source   | 2                             | \$12,720.00                        |
| Emergency Procurement                               | 0                             | \$-                                |
| Purchases Exempt from Competition per the City Code | 31                            | \$271,556.14                       |
| Change Orders/Modifications                         | 1                             | \$11,228.20                        |
| Task/Delivery Orders Against Contracts              | 1                             | \$5,500.00                         |

The low number of actions completed by Purchasing staff is in line with the large percentage of total spend in this category completed outside the purchasing process through GAX payments.

79% of all procurement actions for other expenditures completed were considered to be exempt from the requirements for competitive procurement, a further 5% were completed as sole source procurements. Competitive solicitations account for 5% of the activity completed for other expenditures, while another

5% were either for modifications to POs and master agreements or to create POs and master agreements against existing contracts.

#### Level of Effort Analysis

Based on the methodology described above, 0.16 FTEs were required to complete all purchasing activity for other expenditures during the two year period from FY2014 to FY2015 as shown in the following table:

#### **Headcount Requirement Analysis – Other Expenditures**

| Contract Action Type                   | Number of Actions Completed | Hours Per Action (based on GSA study) | Total Annual Hours | Total FTEs Required (Total Hours/3614) |
|--|-----------------------------|---------------------------------------|--------------------|--|
| Acquisitions at or under \$3K          | 0                           | 13.5                                  | 0                  | 0.00                                   |
| Open Market Acquisitions (RFQ)         | 0                           | 22.8                                  | 0                  | 0.00                                   |
| Open Market Acquisitions (IFB and RFP) | 2                           | 55.5                                  | 111                | 0.03                                   |
| Task/Delivery Orders Against Contracts | 1                           | 9.5                                   | 9.5                | Less than 0.01                         |
| Releases Against “Rider” Contracts     | 2                           | 9.5                                   | 19                 | 0.01                                   |
| Non-Competitive Awards                 | 33                          | 13.5                                  | 445.5              | 0.12                                   |
| Change Orders/Modifications            | 1                           | 5                                     | 5                  | Less than 0.01                         |
| <b>Total</b>                           | <b>39</b>                   |                                       |                    | <b>0.16</b>                            |

#### Cycle Time Analysis

The average cycle time between entering the requisition and awarding a purchase order for all other expenditures actions was 54 days. The table to the right indicates the average cycle time for other expenditures actions broken out by dollar threshold.

| Threshold        | Average Cycle Time (days) |
|------------------|---------------------------|
| \$3K and Below   | 46                        |
| \$3,001 to \$5K  | 26                        |
| \$5,001 to \$30K | 63                        |
| Exceeds \$30K    | 125                       |

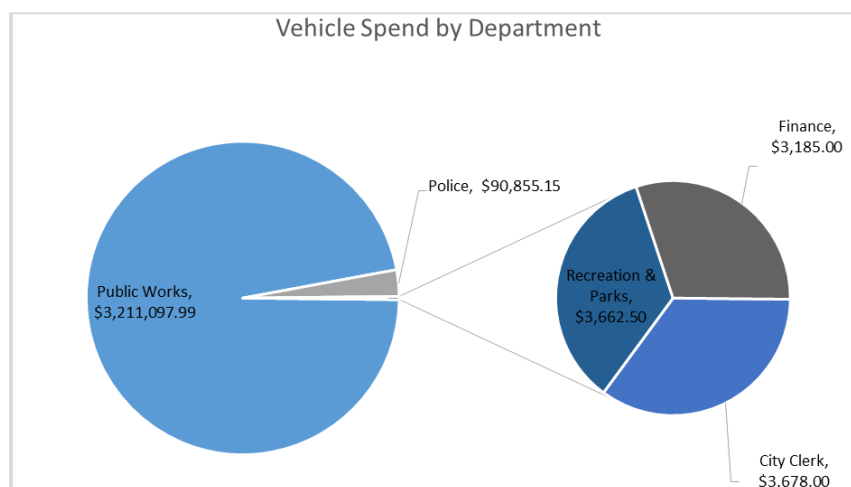
#### Vehicles (\$3.31M)

#### Volume of Spend

The vehicles category is comprised of eight subcategories:

|  |          |     |
|--|----------|-----|
| Trucks                                 | \$2.02M  | 61% |
| Police Vehicles                        | \$397.8K | 12% |
| Passenger Vehicles                     | \$356.1K | 11% |
| Vehicle Maintenance                    | \$237.8K | 7%  |
| Vehicle Parts                          | \$222.1K | 7%  |
| Trailers                               | \$50.1K  | 2%  |
| Automotive Shop Equipment and Supplies | \$18.7K  | 1%  |
| Other Vehicle Expenditures             | \$6K     | <1% |

The following chart shows the breakout of expenditures by department:



Analysis of the vehicles category indicates that Public Works purchases 96.94%, or \$3.2M, of total category spend per biennium. The Police department accounts for a further 2.75%, or \$90.8K, of total biennial spend for the category. The remaining spend is spread over three additional departments.

Commodity Codes for vehicle expenditures within the City Clerk's office, Recreation and Parks, and Finance should be validated based on line item expense detail; this represents 0.32% of total vehicle expenditures.

#### Analysis of Expenditure Type

93.51% of all vehicle expenditures are made using a purchase order. Purchase card payments represent 5.26% of vehicle expenditures, while the remaining 1.23% of payments are made against master agreements or using the GAX system as shown in the following table:

| <i>Expenditure Type</i>          | <i>Total Expenditures</i> | <i>Percent of Total Expenditures</i> | <i>Total Number of Actions*</i> | <i>Average Transaction Value</i> |
|----------------------------------|---------------------------|--------------------------------------|---------------------------------|----------------------------------|
| <i>Purchase Orders</i>           | \$ 3,097,491.80           | 93.51%                               | 56                              | \$ 55,312.35                     |
| <i>P-card Payments</i>           | \$ 174,152.40             | 5.26%                                | 455                             | \$ 382.75                        |
| <i>GAX Payments</i>              | \$ 21,299.44              | 0.64%                                | 36                              | \$ 591.65                        |
| <i>Master Agreement Payments</i> | \$ 19,535.00              | 0.59%                                | 21                              | \$ 930.24                        |

\*Number of transactions include modifications to purchase orders and master agreements.

GAX payments were associated with two object Codes within the vehicles category as shown in the following table:

|                           |        |     |
|---------------------------|--------|-----|
| Contracted Vehicle M & R  | \$20K  | 94% |
| Vehicle Preparation Costs | \$1.2K | 6%  |

One GAX transaction in this category for vehicle repairs was above \$3,000. The available data do not indicate whether the use of GAX was authorized for this transaction. While there were no instances in which multiple GAX payments were made for the same item on the same date with the total value of all transactions exceeded \$3,000, there were five separate transactions for car wash services over the course of one year totaling \$13,410.00. It is unclear from the available data whether these requirements were covered under an existing contract. There were five GAX transactions lacking the level of detail needed to determine whether splitting may have occurred.

Four object Codes within the vehicles category were also associated with p-cards as shown in the following table:

|                           |          |     |
|---------------------------|----------|-----|
| Contracted Vehicle M & R  | \$104.6K | 60% |
| Vehicle Repairs-Accidents | \$51.3K  | 29% |
| Vehicle Preparation Costs | \$16K    | 9%  |
| Vehicle Replacement       | \$2.3K   | 1%  |

No P-card transactions for vehicles exceeded \$3,000 and there were no instances in which multiple P-card payments were made for the same item on the same date and the total value of all transactions exceeded \$3,000.

#### Method of Procurement Analysis

The number of procurement actions for vehicles completed by Purchasing staff over the two year period from FY2014 and FY2015 is shown in the following table:

| <i>Method of Procurement</i>      | <i>Number of Procurement Actions</i> | <i>Total Value of Procurement Actions</i> |
|-----------------------------------|--------------------------------------|---|
| Small Purchase (at or under \$3K) | 0                                    | \$-                                       |
| Request for Quote (RFQ)           | 6                                    | \$24,271.50                               |
| Invitation for Bid (IFB)          | 8                                    | \$517,674.00                              |
| Request for Proposal (RFP)        | 1                                    | \$9,990.00                                |
| Release Against Rider Contract    | 29                                   | \$2,089,420.85                            |
| Sole Source                       | 1                                    | \$5,509.37                                |

| Method of Procurement                               | Number of Procurement Actions | Total Value of Procurement Actions |
|---|-------------------------------|------------------------------------|
| Emergency Procurement                               | 0                             | \$-                                |
| Purchases Exempt from Competition per the City Code | 5                             | \$34,703.12                        |
| Change Orders/Modifications                         | 7                             | \$47,645.96                        |
| Task/Delivery Orders Against Contracts              | 6                             | \$391,412.00                       |

46% of the completed actions were to create POs and master agreements against a “rider” contract, while competitive solicitations account for 24% of the activity completed for vehicles. 21% of all vehicle procurement actions were either for modifications to POs and master agreements or to create POs and master agreements against existing contracts. 8% of procurement actions completed for vehicles were considered to be exempt from the requirements for competitive procurement, a further 2% were completed as sole source and emergency procurements.

#### Level of Effort Analysis

Based on the methodology described above, 0.30 FTEs were required to complete all purchasing activity for vehicles during the two year period from FY2014 to FY2015 as shown in the following table:

#### *Headcount Requirement Analysis – Vehicles*

| Contract Action Type                   | Number of Actions Completed | Hours Per Action (based on GSA study) | Total Annual Hours | Total FTEs Required (Total Hours/3614) |
|--|-----------------------------|---------------------------------------|--------------------|--|
| Acquisitions at or under \$3K          | 0                           | 13.5                                  | 0                  | 0.00                                   |
| Open Market Acquisitions (RFQ)         | 6                           | 22.8                                  | 136.8              | 0.04                                   |
| Open Market Acquisitions (IFB and RFP) | 9                           | 55.5                                  | 499.5              | 0.14                                   |
| Task/Delivery Orders Against Contracts | 6                           | 9.5                                   | 57                 | 0.02                                   |
| Releases Against “Rider” Contracts     | 29                          | 9.5                                   | 275.5              | 0.08                                   |
| Non-Competitive Awards                 | 6                           | 13.5                                  | 81                 | 0.02                                   |
| Change Orders/Modifications            | 7                           | 5                                     | 35                 | 0.01                                   |
| <b>Total</b>                           | <b>63</b>                   |                                       |                    | <b>0.30</b>                            |

#### Cycle Time Analysis

The average cycle time between entering the requisition and awarding a purchase order for all vehicles actions was 60 days. The table to the right indicates the average cycle time for vehicles actions broken out by dollar threshold.

| Threshold        | Average Cycle Time (days) |
|------------------|---------------------------|
| \$3K and Below   | 26                        |
| \$3,001 to \$5K  | 102.5                     |
| \$5,001 to \$30K | 45                        |
| Exceeds \$30K    | 63                        |

The vehicles category has a lower cycle time when compared to other categories due to the high use of “rider” contracts to meet category requirements.

#### *Fuel, Oil, Grease, and Lubricants (\$1.99M)*

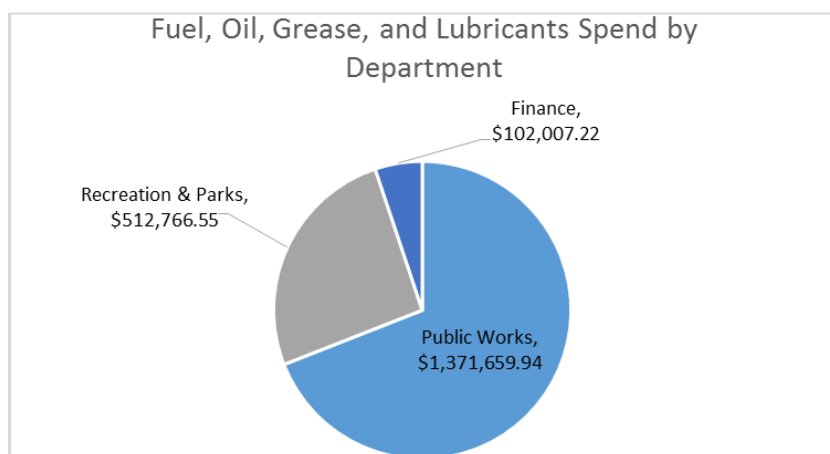
#### Volume of Spend

The fuel, oil, grease, and lubricants category is comprised of five subcategories:

|                        |          |     |
|------------------------|----------|-----|
| Automotive Fuel        | \$775.4K | 39% |
| Heating Fuel           | \$577.1K | 29% |
| Other Fuel Products    | \$531.2K | 27% |
| Other Gasoline and Oil | \$96.1K  | 5%  |
| Diesel Fuel            | \$6.6K   | <1% |

Expenditures currently categorized with only the object Codes “Gasoline and Oil” should be validated with line item expense detail. This data was not available at the time of this analysis.

The following chart shows the breakout of expenditures by department:



Analysis of the fuel, oil, grease, and lubricants category indicates that Public Works purchases 69%, or \$1.37M, of total category spend per biennium. Recreation and Parks accounts for a further 25.8%, or \$512.7K, of total biennial spend for the category. Finance represents the final 5%, or \$102K, of spend.

Commodity Codes for fuel, oil, grease, and lubricants expenditures within Finance should be validated based on line item expense detail.

#### Analysis of Expenditure Type

42.61% of all fuel, oil, grease, and lubricants payments are made against a master agreement. GAX payments represent 28.69% of fuel, oil, grease, and lubricant expenditures while purchase orders are used for 26.74% of expenditures. The remaining 1.96% of payments are made using P-cards as shown in the following table:

| <i>Expenditure Type</i>          | <i>Total Expenditures</i> | <i>Percent of Total Expenditures</i> | <i>Total Number of Actions*</i> | <i>Average Transaction Value</i> |
|----------------------------------|---------------------------|--------------------------------------|---------------------------------|----------------------------------|
| <i>Master Agreement Payments</i> | \$ 846,440.60             | 42.61%                               | 220                             | \$ 3,847.46                      |
| <i>GAX Payments</i>              | \$ 569,934.58             | 28.69%                               | 470                             | \$ 1,212.63                      |
| <i>Purchase Orders</i>           | \$ 531,200.00             | 26.74%                               | 2                               | \$ 265,600.00                    |
| <i>P-card Payments</i>           | \$ 38,858.53              | 1.96%                                | 170                             | \$ 228.58                        |

\*Number of transactions include modifications to purchase orders and master agreements.

GAX payments were associated with two object codes within the fuel, oil, grease, and lubricants category as shown in the following table:

|                  |          |     |
|------------------|----------|-----|
| Heating Fuel     | \$510.7K | 90% |
| Gasoline And Oil | \$59.2K  | 10% |

55 GAX transactions, or 11.7% of all purchases in this category, were above \$3,000. Of these, 54 were for heating fuel and one was for gasoline and oil, no further information about these transaction is available in the data provided. There were no instances in which multiple GAX payments were made for the same item on the same date with the total value of all transactions exceeded \$3,000; however, there were 260 GAX transactions lacking the level of detail needed to determine whether splitting may have occurred.

The same two object codes within the fuel, oil, grease, and lubricants category were also purchased with P-cards as shown in the following table:

|                  |         |
|------------------|---------|
| Gasoline And Oil | \$36.9K |
| Heating Fuel     | \$2K    |

No P-card transactions for fuel, oil, grease, and lubricants exceeded \$3,000 and there were no instances in which multiple P-card payments were made for the same item on the same date and the total value of all transactions exceeded \$3,000.



### Method of Procurement Analysis

The number of procurement actions for fuel, oil, grease, and lubricants completed by Purchasing staff over the two year period from FY2014 and FY2015 is shown in the following table:

| Method of Procurement                               | Number of Procurement Actions | Total Value of Procurement Actions |
|---|-------------------------------|------------------------------------|
| Small Purchase (at or under \$3K)                   | 0                             | \$-                                |
| Request for Quote (RFQ)                             | 2                             | \$5,706.58                         |
| Invitation for Bid (IFB)                            | 0                             | \$-                                |
| Request for Proposal (RFP)                          | 0                             | \$-                                |
| Release Against Rider Contract                      | 6                             | \$977,598.29                       |
| Sole Source   | 0                             | \$-                                |
| Emergency Procurement                               | 0                             | \$-                                |
| Purchases Exempt from Competition per the City Code | 1                             | \$-                                |
| Change Orders/Modifications                         | 9                             | \$1,171,126.57                     |
| Task/Delivery Orders Against Contracts              | 0                             | \$-                                |

50% of all fuel, oil, grease, and lubricant procurement actions were either for modifications to POs and master agreements or to create POs and master agreements against existing contracts. 33% of the completed actions were to create POs and master agreements against a “rider” contract, while competitive solicitations account for 11% of the activity completed. 6% of procurement actions completed for fuel, oil, grease, and lubricants were considered to be exempt from the requirements for competitive procurement.

### Level of Effort Analysis

Based on the methodology described above, 0.04 FTEs were required to complete all purchasing activity for fuel, oil, grease, and lubricants during the two year period from FY2014 to FY2015 as shown in the following table:

#### **Headcount Requirement Analysis – Fuel, Oil, Grease, and Lubricants**

| Contract Action Type                   | Number of Actions Completed | Hours Per Action (based on GSA study) | Total Annual Hours | Total FTEs Required (Total Hours/3614) |
|--|-----------------------------|---------------------------------------|--------------------|--|
| Acquisitions at or under \$3K          | 0                           | 13.5                                  | 0                  | 0.00                                   |
| Open Market Acquisitions (RFQ)         | 2                           | 22.8                                  | 45.6               | 0.01                                   |
| Open Market Acquisitions (IFB and RFP) | 0                           | 55.5                                  | 0                  | 0.00                                   |
| Task/Delivery Orders Against Contracts | 0                           | 9.5                                   | 0                  | 0.00                                   |
| Releases Against “Rider” Contracts     | 6                           | 9.5                                   | 57                 | 0.02                                   |
| Non-Competitive Awards                 | 1                           | 13.5                                  | 13.5               | Less than 0.01                         |
| Change Orders/Modifications            | 9                           | 5                                     | 45                 | 0.01                                   |
| <b>Total</b>                           | <b>18</b>                   |                                       |                    | <b>0.04</b>                            |

### Cycle Time Analysis

There were only two actions for fuel, oil, grease, and lubricants in the requisition to PO data provided by the City, both actions exceeded the \$30K threshold. The average cycle time to complete these two actions was 271 days.

#### **Recommendation 13: Develop standard reports to evaluate procurement activity and update on an annual basis. Data should be compared to established metrics to evaluate Purchasing performance.**

The City is not tracking spend, payment type, method of procurement, or cycle time. This information is needed for increased good governance, transparency, and analysis of use of taxpayer funds. Reports should be posted on the City’s website.

Multiple custom data reports from the CGI-AMS system were required to develop this analysis including a listing of POs issued, master agreements issued, payments made against master agreements, GAX



payments, purchase card payments, and requisitions entered and tied to the resulting PO. There are no system generated reports on total expenditures across all payment types. Information contained in the extended description must be reviewed manually on a line by line basis to determine method of procurement in many cases. A similar manual process is required to determine whether all GAX and purchase card payments above \$3,000 were properly authorized. There are no standard reports on the number of procurement actions, solicitation events, or contracts awarded to evaluate the current workload for Purchasing staff. There is also limited data available to determine cycle time and no data available on how long requisitions remain in the queue prior to being addressed or cancelled.

**Recommendation 14: Evaluate GAX payments for competitive purchasing opportunities**

There is no information available to determine how the method of payment was selected.

In some cases GAX and P-card payments are made against existing POs and master agreements, while in others they are stand-alone expenditures. There is no data on why a given payment is made using one payment method rather than another. There is also no data on the justification for considering certain payments to be exempt from the requirements for competitive procurement. In addition, several types of services are currently associated with GAX payments that may be appropriate for competitive procurement such as:

- Insurance
- Outside Instructors for Specialized Programs and Activities
- Non-Specialized Legal Services
- Financial Services
- Printing
- Temporary Staffing

**Recommendation 15: Establish a strategic sourcing plan by first developing category plans for each of the 10-12 major purchase categories and creating sourcing plans and projects to achieve savings.**

The City has not implemented a strategic sourcing program. There is no ongoing assessment of how best to leverage the City's expenditures in larger long term contracts. Instead, the City uses other jurisdiction's existing contracts and doesn't assess whether prices paid are consistent with market pricing. Purchases are typically made on a one-off basis and few City-wide contracts are established.

### **3.6 Level of compliance with Purchasing Procedures**

#### **File Review**

Calyptus conducted a comprehensive review of the City of Rockville's compliance with City purchasing procedures through an on-site Purchasing file review. Calyptus identified a sample of files from data provided on POs, Master Agreements, and GAX payments for FY15. The sample was provided to City staff to pull the requested files in advance of the site visit. The site visit and file review occurred on August 17-19, 2015.

#### **File Review Checklists**

Calyptus developed file review checklists containing the procedure requirements from the City Code and Purchasing Guides for each type of purchase. The checklists were used to assess the level of compliance with City purchasing procedures for each file reviewed. Checklists were developed for rider contracts, IFB, RFP, sole source purchases, RFQ (\$5,001-\$30,000), and RFQ (\$3,001-\$5,000). Checklists also included a section on best practices and change orders. Samples of the checklists used in the review are included in Appendix 2.

## File Review Results

Calyptus reviewed a total of 72 purchasing files across six different methods of procurement; rider contracts, IFB, RFP, sole source purchases, RFQ (\$5,001-\$30,000) and RFQ (\$3,001-\$5,000). The table below shows the count of each type of file reviewed.

### *Number of files reviewed by type of purchase*

| Type of Purchase             | Number of Files Reviewed |
|------------------------------|--------------------------|
| Rider Contract               | 29                       |
| Competitive Sealed Bids      | 16                       |
| Competitive Sealed Proposals | 12                       |
| Sole Source                  | 11                       |
| RFQ (\$5,001-\$30,000)       | 3                        |
| RFQ (\$3,001-\$5,000)        | 1                        |
| <b>Total</b>                 | <b>72</b>                |

The following table details the summary level findings from the file review. The percentages shown in the table represent the overall level of compliance and take into consideration all of the applicable required elements/documents across all groups and types of acquisitions. The total level of compliance across all types of contracts was 82%. This level is acceptable overall, but needs improvement in specific areas.

Calyptus benchmarked the City's compliance performance with published studies from other public agencies. Most requirements between the agencies are similar; however, these agencies have additional Federal purchasing requirements to include in their Purchasing work:

- For the Federal Election Commission, the OIG found a lack of acquisition planning in 66% of files sampled, lack of use of EPLS (SAM) site, lack of cost/price analysis in 10% of files sampled and lack of award recommendation in 12% of files sampled (OIG, 2009).
- For the Internal Revenue Service (IRS), the Office of Audit found 20% of files sampled did not have adequate sole source justifications, and 32% of files did not include the required documentation. The overall compliance level for this audit was 57% (Office of Audit, 2014).
- For the Veterans Health Administration, the Office of Audits and Evaluations found that 29% of files sampled lacked separate source selection information, 26% lacked a price reasonableness determination and 48% lacked documentation on award approvals (Office of Audits and Evaluations, 2014).

### *Level of compliance by type of purchase*

| Type of Purchase             | Level of Compliance |
|------------------------------|---------------------|
| Rider Contract               | 90%                 |
| Competitive Sealed Bids      | 83%                 |
| Competitive Sealed Proposals | 75%                 |
| Sole Source                  | 59%                 |
| RFQ (\$5,001-\$30,000)       | 83%                 |
| RFQ (\$3,001-\$5,000)*       | 33%                 |
| <b>Total</b>                 | <b>82%</b>          |

\*Only one file reviewed for this type of purchase

## Summary of Results by Type of Purchase

### Rider Contract

Documentation for rider contracts reviewed show the highest levels of compliance at 90% across the 29 files reviewed. Six of the individual requirements had 85% or higher levels of compliance; copy of solicitation (93%), AMS requisition (100%), approval (93%), signed contract document (85%), insurance and bond requirements (100%), and executed AMS purchase order (100%).

The one element that did not achieve comparable levels of compliance for rider contracts was determination that the contract is “rideable”. This element had a 59% compliance rate. The City of Rockville’s Code states that, “the City may contract with any contractor who offers goods, services, insurance, or construction on the same terms as provided other state or local governments or agencies thereof who have arrived at those terms through a competitive procurement procedure similar to the procedure used by the City.” (Sec. 17-71 (b)). In the 59% of the files reviewed that were compliant with this provision of the Code, the City of Rockville was named in the procurement documentation of the other public entity or the procurement documentation included statements that made the contract “rideable” to the City. In the instances where the file documentation was not compliant with the provision of the Code, most files contained no documentation showing that the award of the contract was arrived at through a competitive process similar to the procedure used by the City. In other instances the original contracts had stipulations or other statements regarding use by other public entities that would make the contract not “rideable” without additional action/documentation by the City.

#### Competitive Sealed Bids

Contract documentation also showed higher levels of compliance at 83%. There were twenty elements reviewed for compliance for IFB contracts. 15 out of 20 items reviewed for these contracts achieved over 80% compliance. One item reviewed was considered not applicable as there were no tie bids in the file sample. Four elements had compliance levels below 80%; bid evaluation (69%), single bid (0%), determination of responsibility (44%), and evidence of posting intent to award (6%).

In 11 of the files reviewed there was sufficient documentation to demonstrate the evaluation of bids received. In 5 of the files reviewed there was not sufficient documentation of bid tabulation and additional evaluation factors to meet the requirements of the City’s Code (Sec. 17-61 (f)). Determination of responsibility was another area that had sufficient documentation in some files but was missing in other files. In some cases reference checks were noted in City Council minutes but documentation of the reference checks were not included in the purchasing files. The City’s Code (Sec. 17-67 (b)) lists a variety of factors to consider in making a bidder responsibility determination. File documentation did not contain a checklist or document to show that these factors are considered or checked during the responsibility determination process. There was one single bid found in the file review sample. The single bid file did not document any price negotiation with the bidder as noted in the Code (Sec. 17-61 (l)). Evidence of posting intent to award notifications was only present in one file reviewed. This step of the process is not formally included in the Code but was listed as a Purchasing Division award process activity in the purchasing guide.

#### Competitive Sealed Proposals

The level of compliance was 75% across the 20 elements reviewed. 13 out of 20 items reviewed for these contracts achieved over 80% compliance. Seven elements had compliance levels below 80%; AMS requisition (70%), formal solicitation (44%), copy of specification (58%), negotiation/award documentation (27%), single bid (0%), evidence of posting intent to award (0%), and evidence of posting of award (75%).

In 3 out of the 12 AMS requisitions provided in the files the amount on the requisition did not match the total amount of the contract. According to the purchasing guide the AMS requisition should contain the estimated value of the purchase. The requirements in the Code for formal solicitations (17-62 (a)) states that formal contracts may be awarded by competitive sealed proposals where the purchasing agent, in consultation with the using department, determines that competitive sealed bidding is either not practicable or not advantageous to the City. There was no documentation of this decision in 5 of the RFP files reviewed. A copy of the specification was not present in 5 of the files reviewed. Per the Code, (Sec. 17-62 (h)) negotiation activities are part of the award process. The Code states that, “the purchasing agent shall negotiate a contract with the top-ranked offeror. If the purchasing agent is unable to negotiate a satisfactory contract with the top-ranked offeror the purchasing agent may thereafter enter into negotiations with the next highest ranked offeror...” 8 of the files reviewed did not contain negotiation documentation. Similar to the file review of competitive sealed bids, one file reviewed had a single response

to a solicitation. The single bid file did not document any price negotiation with the bidder as noted in the Code (Sec. 17-61 (l)). Again, similar to the competitive sealed bids file review, the requirement to post the intent to award was not present in any of the files reviewed. In terms of evidence of posting awards, the posting documentation was missing from one of the files reviewed.

#### Sole Source

Review of sole source purchases showed a 59% compliance level with purchasing procedures. Five elements were reviewed and two of the elements had compliance levels over 80%. Three elements, sole source form (45%), negotiation documentation (0%), and signed contract document (71%), had levels of compliance below 80%.

Both the purchasing guide and the Code (Sec. 17-82) provide for specific documentation for sole source procurements. The Code requires that documentation be kept detailing the contractor's name, amount and type of each contract, a listing of the items procured under each contract, and the reasons justifying the sole source procurement. Documentation of the sole source purchases did not include the level of detail required by the Code in 6 of the sole source purchases reviewed. Additionally, there is a requirement in the Code for the purchasing agent to provide the City Manager with an annual report of all sole source procurements in excess of \$30,000 (Sec. 17-82 (c)). It is unclear from the documentation provided if this requirement has been completed on an annual basis as required. As with other types of contracts reviewed, negotiation activities were not documented in any of the sole source purchase files reviewed. A signed contract document was missing in two of the sole source files reviewed and both contracts were over the threshold for a written contract requirement.

#### RFQ (\$5,001-\$30,000) (Informal Purchase)

A small sample (3) of RFQ files over \$5,000 were reviewed. Eleven elements were reviewed and seven elements had 100% compliance. Four elements, approval of quote form by purchasing, three written quotes required, evidence of quote posted on city website and eMaryland marketplace, and evidence of posting of award, had compliance rates below 80%.

The purchasing guide states that the RFQ procedure should include an approval process of the quote form by the Purchasing Division. Approval was present in the file documentation in 2 out of 3 files reviewed (67%). The Code states that, "any purchase not exceeding \$30,000 may be made in accordance with informal procurement procedures established by the purchasing agent that provide for solicitation of bids, quotations, proposals, or offers" (Sec. 17-63 (a)). The informal procedure set in the purchasing guide states that three written quotes are required for purchases from \$5,001 to \$30,000. One of the files reviewed only received one written quote and did not have documentation or explanation for not meeting the three written quote minimum. One file was missing documentation of the RFQ posting on the city website and eMaryland marketplace as stated in the purchasing guide as well as evidence of the award of that same bid.

#### RFQ (\$3,001-\$5,000) (Informal Purchase)

One file was reviewed in the RFQ \$3,001-\$5,000 range. The notable area of non-compliance for the file reviewed was the requirement to obtain three telephone quotes prior to the purchase. The file did not have documentation that the requirement to obtain three telephone quotes from three vendors was met. Additionally, the purchasing guide has a requirement to obtain a quotation number from Purchasing and this was not documented in the file.

#### Grant Funded Agreements

Seven grant funded agreement files were reviewed. Six of the grant agreements had an award amount between \$20,000 and \$50,000. One award amount was approximately \$550,000. These files were reviewed for conditions, payment terms, insurance documentation, and modifications. Three of the grant agreement files had grant conditions documented. Three of the grant agreement files did not have specific grant

payment/disbursement terms included in the file documentation. Four of the grant agreement files had payment terms. The payment/disbursement terms included in the documentation were:

- Two equal semi-annual installments in July and January of each FY
- The City will disburse the Grant Funds in an amount not to exceed Fifty Thousand and 00/100 dollars to the Grantee upon written request by the Grantee to the City Manager
- Quarterly advance upon receipt of a request for funds and a copy of the quarterly program report
- Reimbursement for project costs will be made only upon submission of documented requisitions. Required documentation includes copies of payroll and personnel expense checks, personnel time sheets, copies of paid invoices, checks.

Terms and conditions were not included for the files reviewed that included advance payment provisions. These terms should be included in grant agreements to ensure that funds are spend in accordance with program goals and are allowable, reasonable, and allocable. Insurance documentation was included in all files reviewed. Grant modification information was included in one file reviewed.

**Recommendation 16: Standardize Documentation Requirements and Create Checklists**

The City should standardize its purchasing documentation process to ensure compliance with the Code and purchasing guide requirements. The City should do this by:

- Defining required contract file documentation and standardize these across groups for both hard and soft copy files;
- Developing checklists for file documentation which should be consistently used to ensure files include all required elements before approval.

Key areas that currently have lower levels of compliance and need documentation improvement and standardization are:

- Determination that a contract is “rideable”
- Bid evaluation
- Single bid
- Determination of responsibility
- Negotiation
- Sole source
- Competitive Sealed Proposal formal solicitation

Standardization in these areas could be achieved by creating and disseminating templates/checklists related to the above listed areas and any other process steps that require additional documentation.

Additionally, file checklists will help the City improve its file documentation in areas such as:

- Evidence of posting intent to award
- Evidence of posting award
- AMS requisition with estimated value of purchase
- Copy of specifications
- Signed contract

All of the new checklists and procedures should be reinforced for use by conducting detailed training with peer audit follow-up.

**Recommendation 17: Implement Periodic File Review Compliance Checks**

In order to ensure continuous improvement in acquisition file documentation it is necessary that the City implement a system of periodic file review checks. The system should clearly state the frequency and number of files to be reviewed. The system should also include a form for feedback and corrective actions based on file review results.

### 3.7 Process Management and Cycle Time Improvement

#### Methodology

The review of procurement processes used in the City of Rockville involved several stages of analysis:

1. As a first step a review of the Rockville Code and the purchasing manual and guide was undertaken. The City of Rockville Code provides the underlying regulations that Rockville must adhere to, while the different purchasing policy and procedure documents provide insight into the different purchasing practices desired in Rockville since 2006. The reviewed included the following documents:
  - City of Rockville Purchasing Manual, 2006
  - Purchasing Guide, Department of Finance, Purchasing Division, 2011
  - Purchasing Card Program, Policy and Procedures Manual, 2012
2. A process map for each of the different procurement methods was initially developed based on the steps outlined in the Purchasing Guide. The guide was chosen as it was the most recent publication. It is unclear as to whether all of the documents were officially adopted by the City.
3. The initial set of process maps were reviewed by members of Purchasing to discuss the current practice for each of these procurement methods. The team identified additional steps within the processes, indicated the tools/ templates used and highlighted areas of the process where they felt there were opportunities for improvement. The purchasing processes discussed were:
  - Small purchase <\$3,000 (Informal)
  - Delegated procurement (telephone quotes) \$3,001-\$5,000
  - Request for Quotation (written quotes) \$5,001-\$30,000
  - Sealed Competitive Bids >\$30,000
  - Sealed Competitive Proposals > \$30,000
  - Use of Rider Contracts
  - Sole Source
  - Contracting with a Public Entity
4. The feedback from Purchasing was incorporated into the process maps to indicate the steps that may be followed, outside of the guidance of the Guide and the Manual. These maps were reviewed to identify possible efficiency and effectiveness improvements to be added to a revised set of purchasing guidelines.
5. Calyptus evaluated other local jurisdictions to determine whether there were common practices being used that might benefit the City of Rockville. Further, we incorporated best practices commonly used in Purchasing based on the body of knowledge that should be considered for improvement,
6. A final set of process maps was developed, incorporating opportunities for improvement. Process maps for P-card purchases, modifications and change orders, and exemptions have also been added. The information on current practice was taken from general discussions with purchasing and department staff, and observation of procurement files. For each process map, changes to roles and responsibilities were identified.

**Recommendation 18: Implement procedures for independent cost estimates, cost/price analysis, vendor responsibility, use of standardized templates, guidance documents to departments for delegated procurements, award memorandum, and process for internal contract review.**

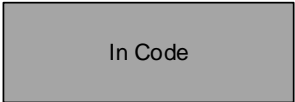
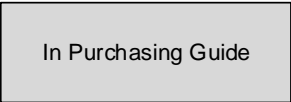
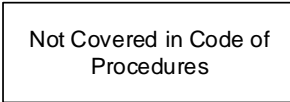
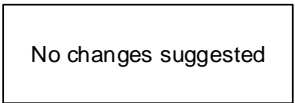


The findings and recommendations relating to each process are outlined below. There are some key recommendations relate to all methods of procurement and occur across all processes. These are:

- **Independent Cost Estimate (ICE):** The Departments should undertake an independent cost estimate for all procurements over \$3,000 before receiving bids or proposals. The ICE provides a baseline estimate that can be used as part of cost/price analysis of the quote(s) received. A standardized template should be used to document the ICE and the estimate kept in the procurement file.
- **Cost/Price Analysis:** Cost or price analysis should be performed for every procurement. The quotes received should be compared, and compared to the ICE before determination is needed. A cost analysis should be performed for procurements requiring detailed estimates of direct and indirect costs and profit/ fee where price competition is lacking, for sole source procurements, and for contract changes. Price analysis (i.e. using catalog or market prices) may be performed for other procurements.
- **Evaluation of vender responsibility:** This should be completed for all procurements over \$3,000 and the documentation placed in the contract file. A checklist can be used to standardize the approach across procurements.
- **Standardized templates:** Templates should include solicitation documentation, specifications and quote forms, and contract / clause boilerplates.
- **Guidance documents for departments:** Guidance relating to departments' parts of the procurement process, and supporting their role in delegated procurements; for example, guidance on undertaking an ICE, cost analysis for small and delegated procurements, an insurance checklist and clear process for gaining risk management approval and contract review where required.
- **Develop a standardized format for the Recommendations for Award Memo:** Departments are responsible for drafting the memo which will be sent for approval to the Purchasing Manager, (<\$30,000), City Manager (<\$100,000) or Mayor and Council (>\$100,000). Purchasing should review this memo before it is sent to the City Manager or Mayor and Council. Purchasing indicated that this review process can be lengthy, with several iterations passed between the department and Purchasing. A standardized template should be used to ensure all the relevant information is documented from the start, reducing the time taken by both Purchasing and the department in amending the document.
- **Document the process for Legal Review, Risk Manager Review and approvals.** These processes are not mentioned within the Purchasing Guide, although there are many steps and different departments involved. Documenting the routing and approval process would help provide clarity for those involved.

### Process maps

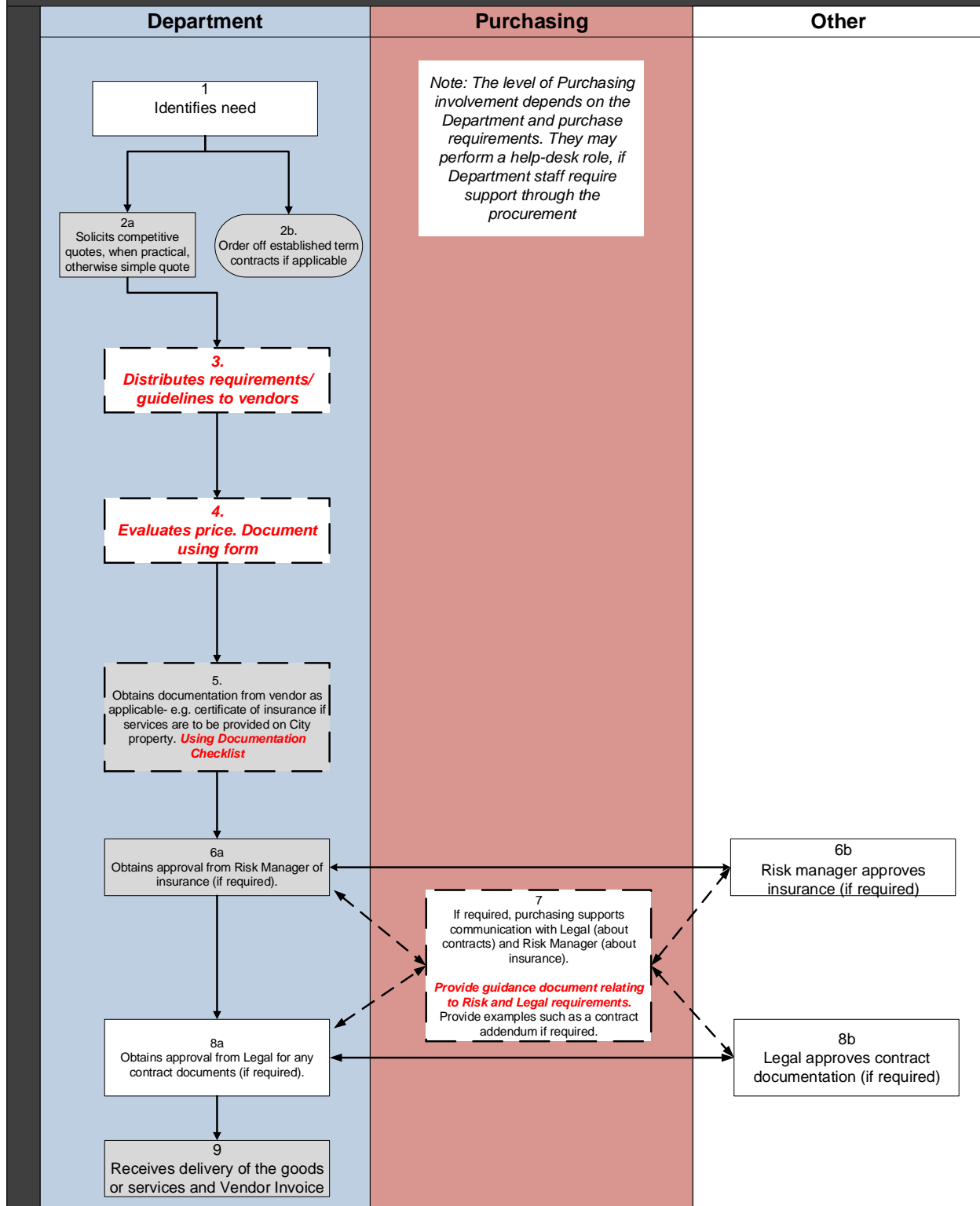
Each process is presented in the form of one process map, outlining the Code requirements, process described in the 2011 Purchasing Guide, information on current practices based on feedback from the purchasing staff, and opportunities for improvement. The following legend is used for all process maps, unless otherwise indicated.

### Legend

|  |  |  |  |
|--|--|--|--|
| <b><u>Reference for process step</u></b> |  In Code              |  In Purchasing Guide |  Not Covered in Code of Procedures                      |
| <b><u>Changes suggested</u></b>          |  No changes suggested |  Remove from process |  New or amended step<br><b>Suggested changes in red</b> |



## Small Procurement (less than \$3,000)



### Changes to Roles and Responsibilities:

- User Department must develop a fair and responsible price determination.
- Risk Management included if services performed on site

Current process: Small procurements are for purchases up to a value of \$3,000. Multiple quotations are not required, although the procedures encourage competition where possible. These procurements are



undertaken almost exclusively by department staff through their delegated approval. Purchasing's involvement is limited to offering advice or support if the procurement requires the development of a contract agreement, or review of vendor insurance. In some, but not all cases, Purchasing may help facilitate contact between the department and the Risk Manager or Legal.

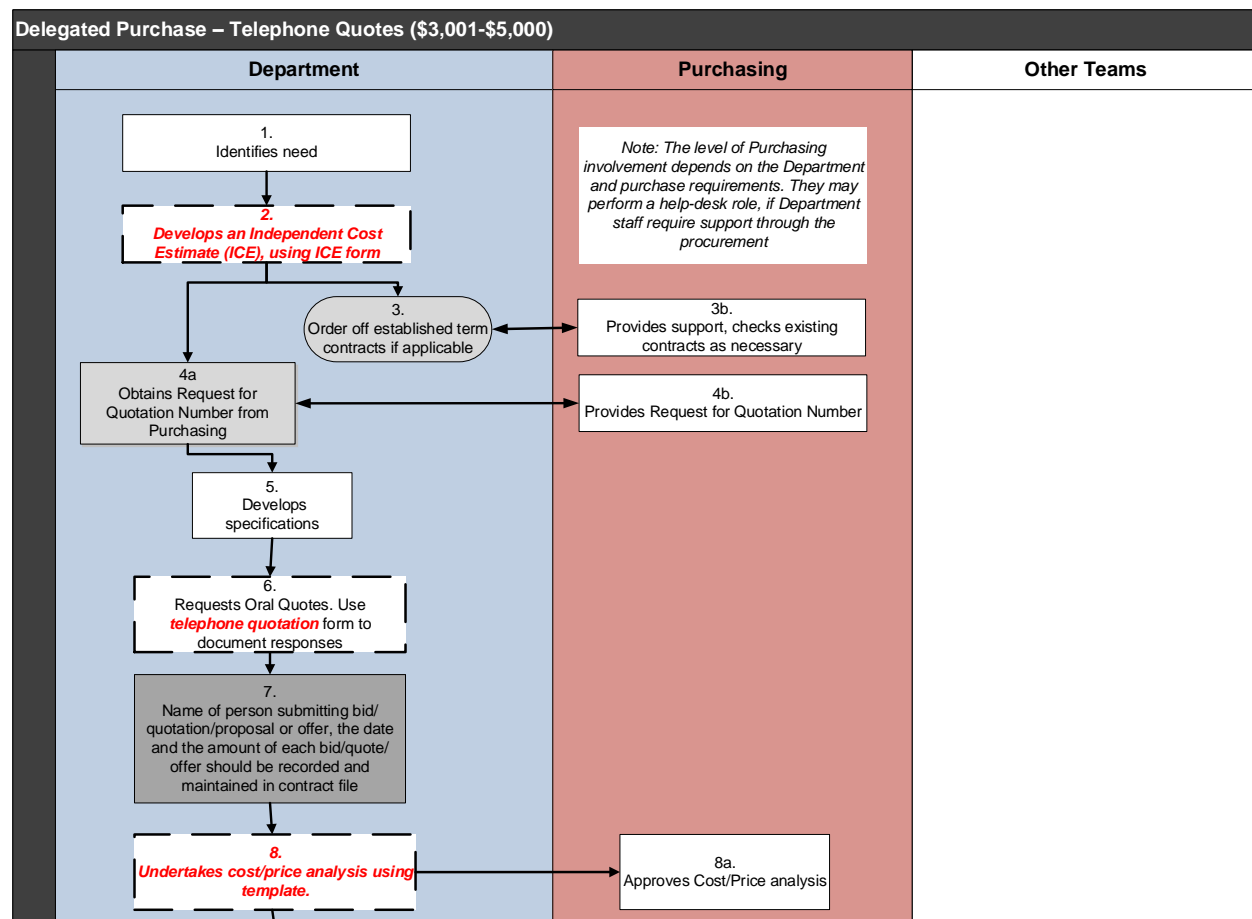
Code and Guide: Most of the steps within the small procurement process are outlined within the Purchasing Guide, 2011, although this should be updated to indicate Purchasing's role in providing advice where necessary, the development of contract documents and review of vendor insurance for some procurements (such as those involved with events or activities).

Efficiency and effectiveness: The small procurement process appears generally efficient and effective as departments are able to procure goods through delegated authority. It is not clear if an ICE is completed, or if the reasonableness of a quote is determined through cost/price analysis.

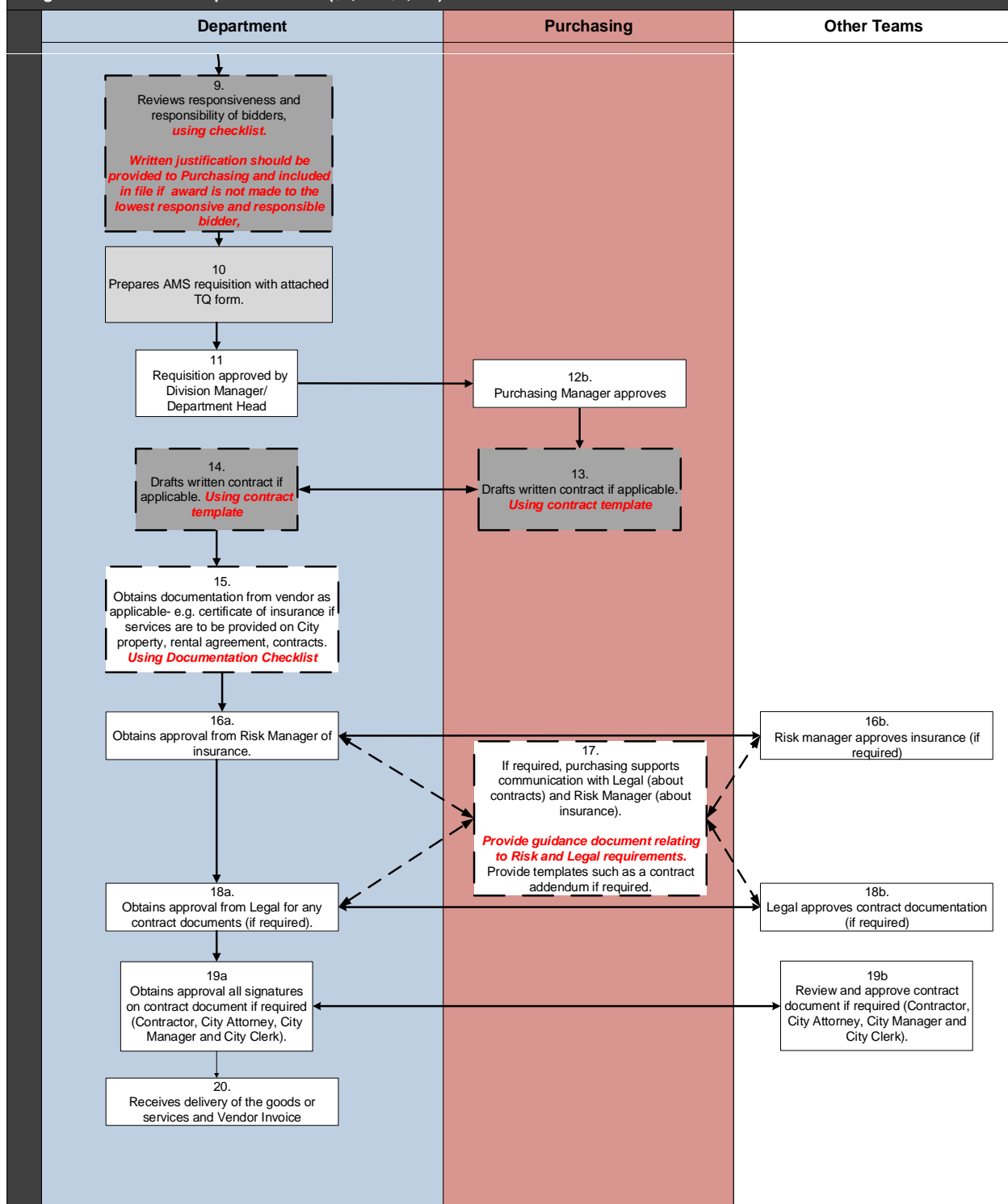
Recommendations for Improvement:

- Implement ICE form in departments
- Document cost reasonableness determination
- Provide guidance documentation to departments to enable them to manage more complex procurements under \$3,000. Improved guidance materials identified include: insurance checklists outlining the insurance requirements for different types of contract; contract templates for small procurements; and guidance on how to gain approval from Legal and the Risk Manager.

Delegated Purchase – Telephone Quotes (\$3,001-\$5,000)



## Delegated Purchase – Telephone Quotes (\$3,001-\$5,000)



### Changes to Roles and Responsibilities:

- Risk Management determine insurance requirements
- Purchasing to determine whether existing contracts are available

Current process: Between \$3,001 and \$5,000 the Purchasing Guide indicates that departments can seek 3 telephone quotes using their delegated authority. Purchasing have limited involvement, other than approving a request for quotation number and reviewing the requisition after the department has reviewed the provided quotes. In some, but not all cases Purchasing may help facilitate contact between the department and the Risk Manager or Legal.

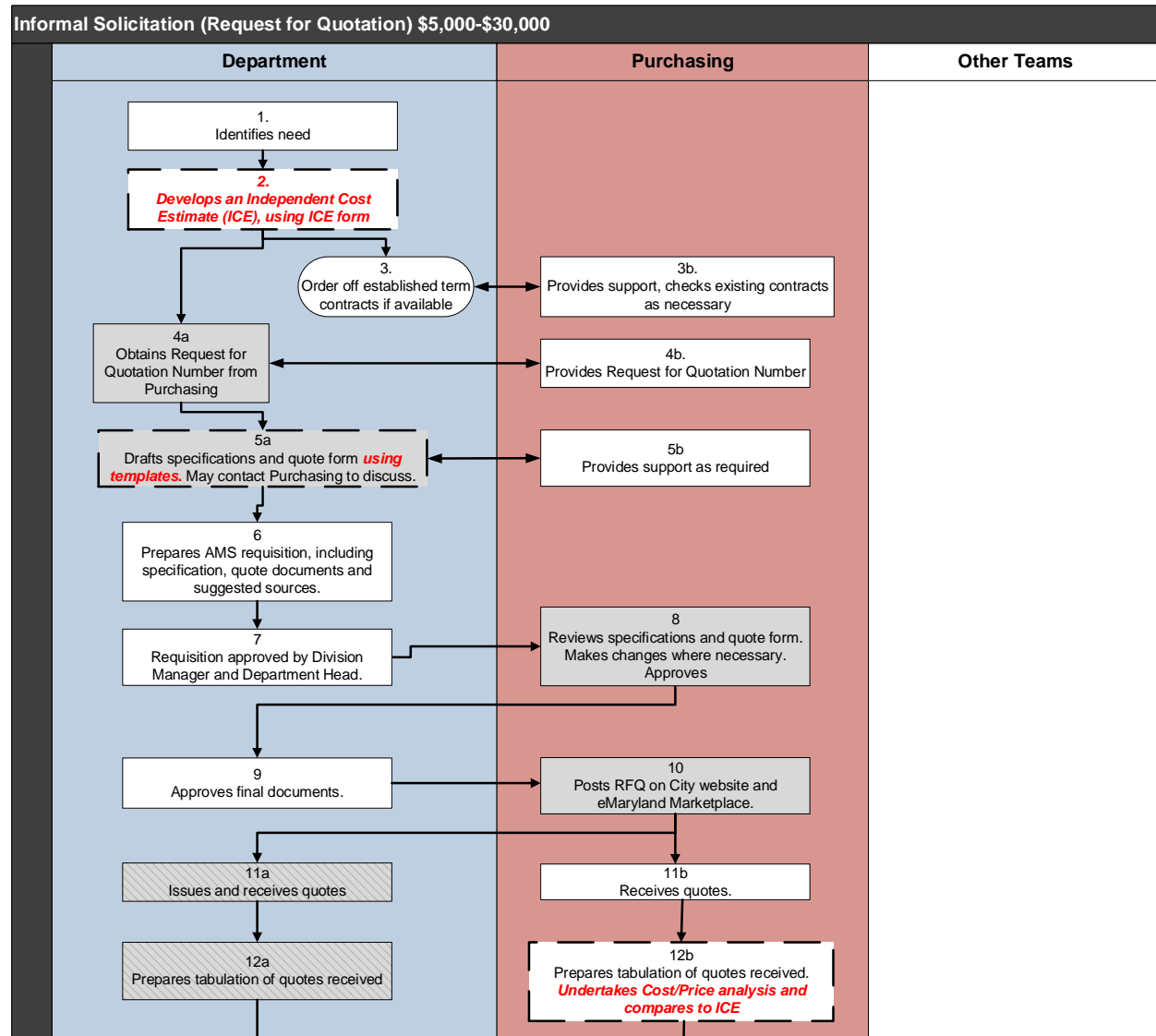
Code and Guide: This process is not separately outlined within the Code or Purchasing Guide, which only indicate the process for Informal Solicitation not exceeding \$30,000. Those actions highlighted in the above diagram relate to the process described for Informal Solicitations.

Efficiency and effectiveness: Purchasing indicated that few of these procurements are undertaken by departments. This may be because of the relatively small threshold window, or because departments do not feel it is an efficient or effective process. It is not clear if an ICE is completed, or if the reasonableness of a quote is determined through cost/price analysis, which may reduce the value for money obtained.

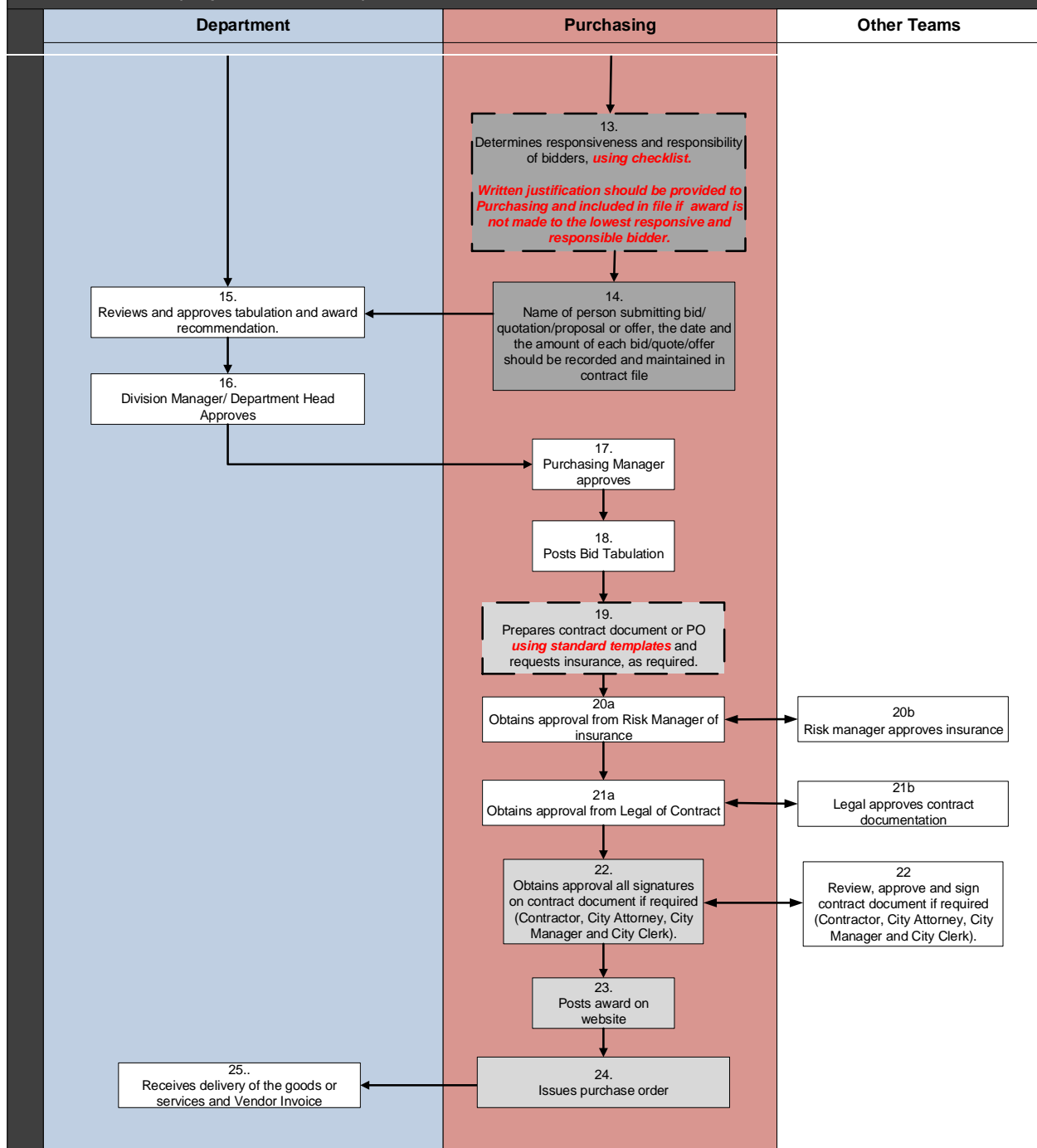
Recommendations for Improvement:

- Implement ICE form in departments
- Document cost/price analysis using a template
- Use a telephone quotation form to document the responses to inquiries
- Provide guidance documentation to departments to enable them to manage procurements, including: insurance checklists outlining the insurance requirements for different types of contract; contract templates for small procurements; and guidance on how to gain approval from Legal and the Risk Manager.

Delegated Purchase – Request for Quotation (\$5,001-\$30,000)



# Informal Solicitation (Request for Quotation) \$5,000-\$30,000



## Changes in Roles and Responsibility:

- Risk Manager determines insurance requirements
- Purchasing completes bid tab and complete price analysis
- Purchasing to evaluate whether Rider Contracts are available

Current process: This process occurs for procurements \$5,001-\$30,000 where 3 or more written quotes are solicited. The department develops the specification with support from Purchasing as required. After receiving the requisition Purchasing reviews the specification and quote form and places the RFQ on the City website and eMaryland Marketplace. Purchasing prepares the tabulation of quotes and determines the responsiveness of the bidders, with the Department providing final vendor approval. Purchasing manage the contract development and insurance request and approval if required.

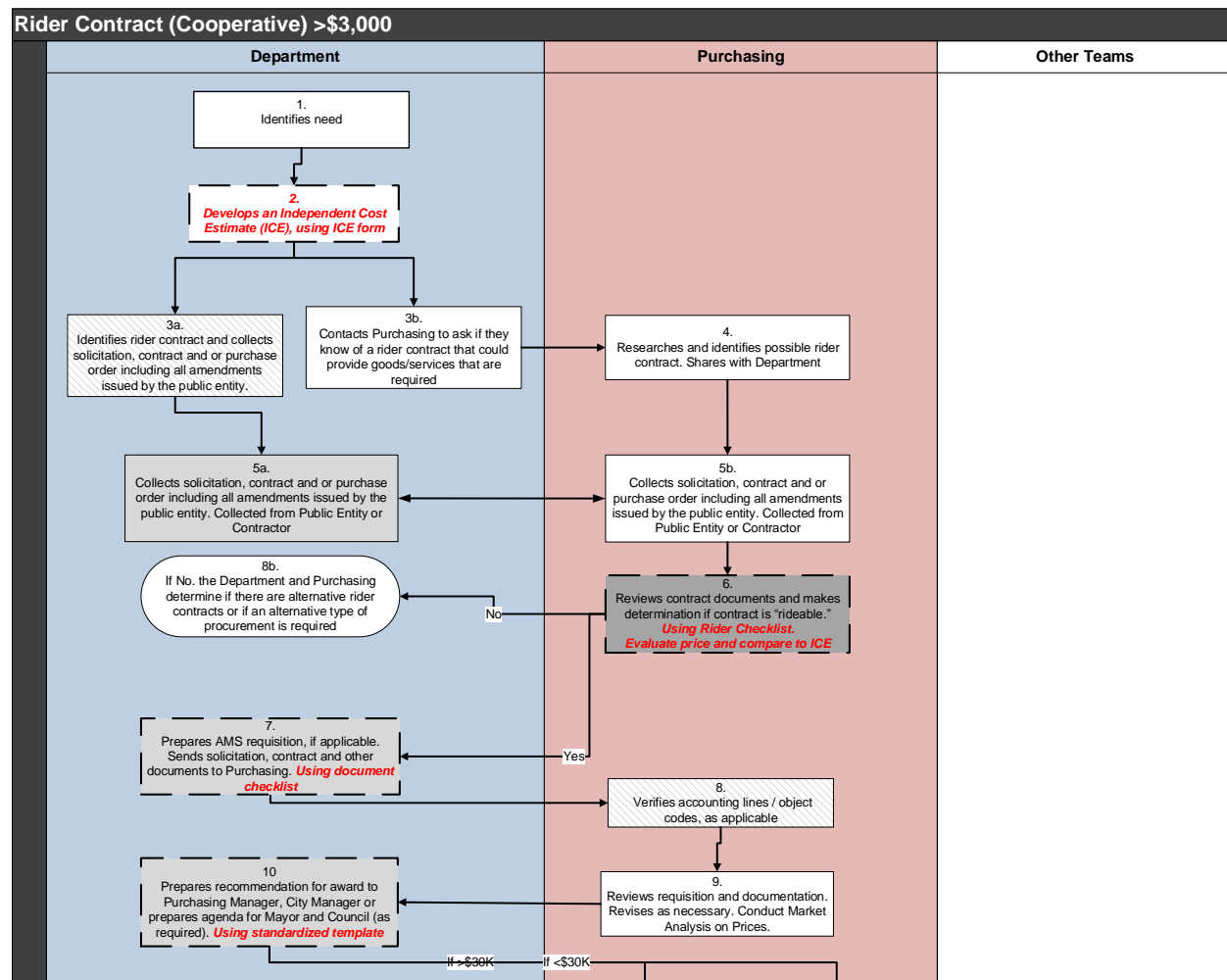
Code and Guide: The Code indicates that award will be made to the lowest responsive and responsible bidder and that the details of each bid provided should be recorded and maintained as part of the contract file. The Purchasing Guide suggests that the department issues and receives the quotes and prepares the tabulation of quotes received. However, Purchasing indicated that they are usually perform these roles.

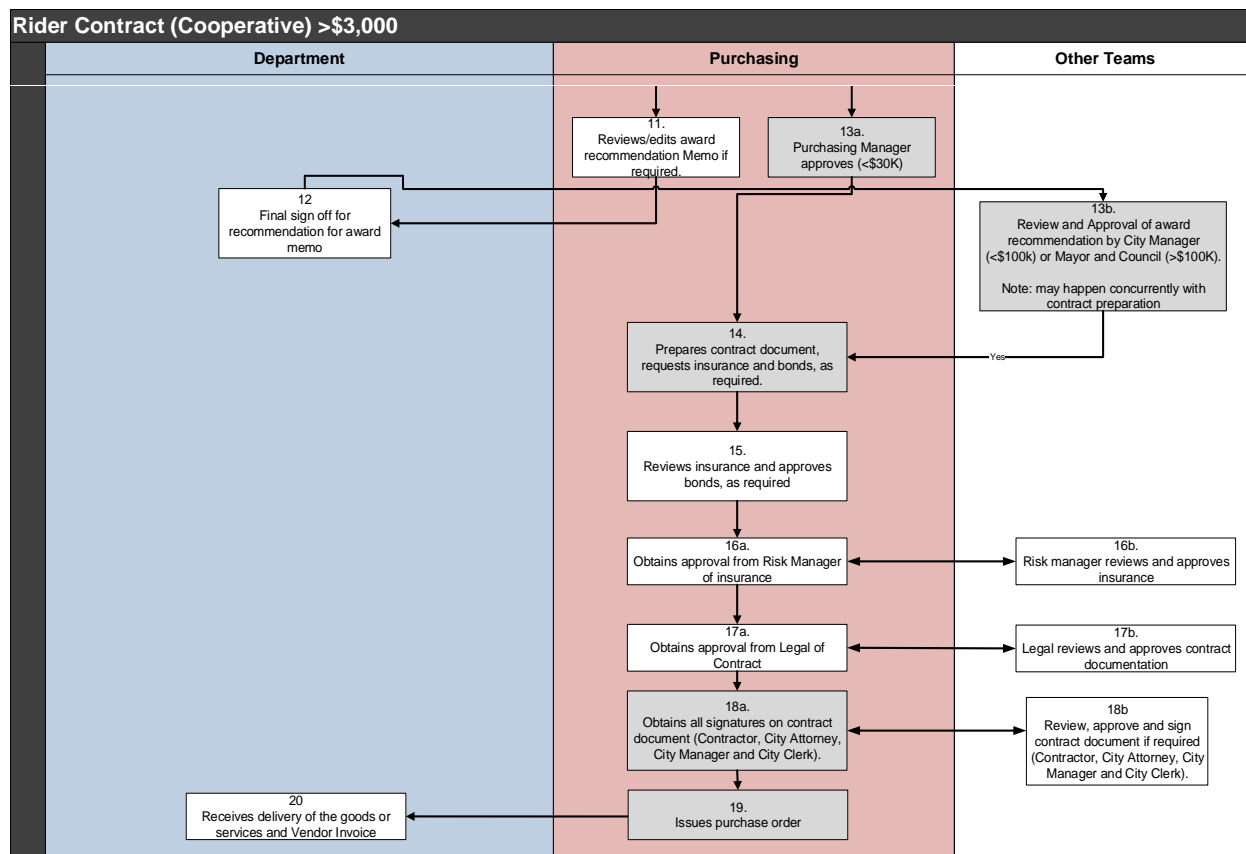
Efficiency and effectiveness: There is a lack of clarity regarding the roles and responsibilities of the department and Purchasing within the process relating to issuing and receiving quotes and preparing tabulation of quotes. Purchasing indicated that some, but not all departments will develop a tabulation of quotes, and so Purchasing always develops one. The use of eMaryland Marketplace is a way of efficiently communicating requirements to a wider number of vendors, and is used by other benchmarked agencies in the area.

Recommendations for Improvement:

- Clarify the roles and responsibilities of the process. Purchasing should issue and receive quotes, prepare the bid tabulation and determine the responsiveness and responsibility of vendors, with support from the department where required.
- Implement ICE form in departments
- Document cost/price analysis using a template
- Use a checklist to document the review of responsiveness and responsibility.

Rider (Cooperative Agreement) Contracts





#### Changes in Roles and Responsibilities: Risk Manager approves insurance requirements

- Purchasing determines and documents whether contract is “rideable”
- Purchasing to evaluate market prices and reasonableness of contract prices

Current process: Purchasing indicated that either the department identifies a contract that they wish to purchase from or “ride off on”, or the department will request that Purchasing finds a contract that matches their specifications. Similarly either the department or Purchasing contact the vendor or original contracting authority to request all the solicitation documentation. In both cases Purchasing will review the original specification and contract documentation to ensure that the contract is ‘Rideable’, although this determination is not documented in the contract files. A recommendation for award is developed by the department, and reviewed / amended by the Purchasing staff.

Code and Guide: The Code makes provision for riding contracts if this is in the best interests of the City of Rockville and undertaken following processes that comply with City of Rockville procurement procedures. The Guide outlines the Rider Contract (Cooperative Purchasing) approach which is similar to current practice. The Guide does not indicate that in some instances it will be Purchasing that identifies contracts on behalf of the Department. The City uses cooperative agreements and “rider” contracts synonymously.

Efficiency and effectiveness: Both the department and Purchasing are involved in identifying rider contracts, and gathering the relevant documentation. This means that existing relationships between City of Rockville staff and vendors or other agencies can be utilized to gather the documents the most direct way available. Purchasing makes a determination of whether the contract is rideable occurs, but this is not always documented in the file. If Purchasing is asked to find a rideable contract it is important that the department is clear on its specification/ requirements so that Purchasing can find a good fit. Lack of clarity can cause delay.

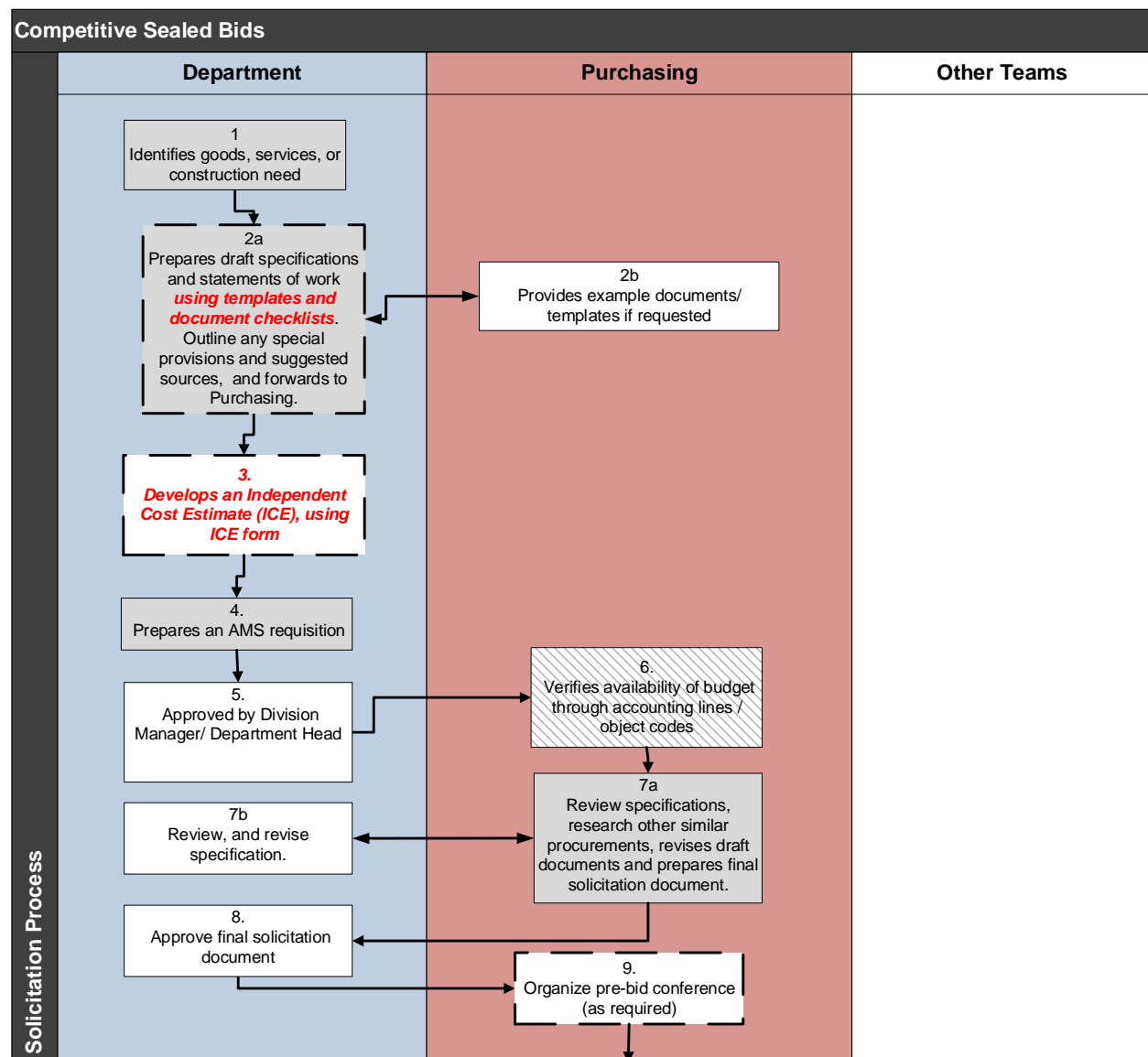
Other benchmarked agencies also allowed riding contracts or ‘piggybacking’ as long as this was in the interests of the agency and the process was conducting according to agency purchasing principles. In addition Fairfax County required that the original request for proposal or invitation to bid specified that the

procurement was being conducted on behalf of other public bodies. This is not a requirement within all of the benchmarked agencies, but ensuring that the original contract makes provision for piggybacking is best practice.

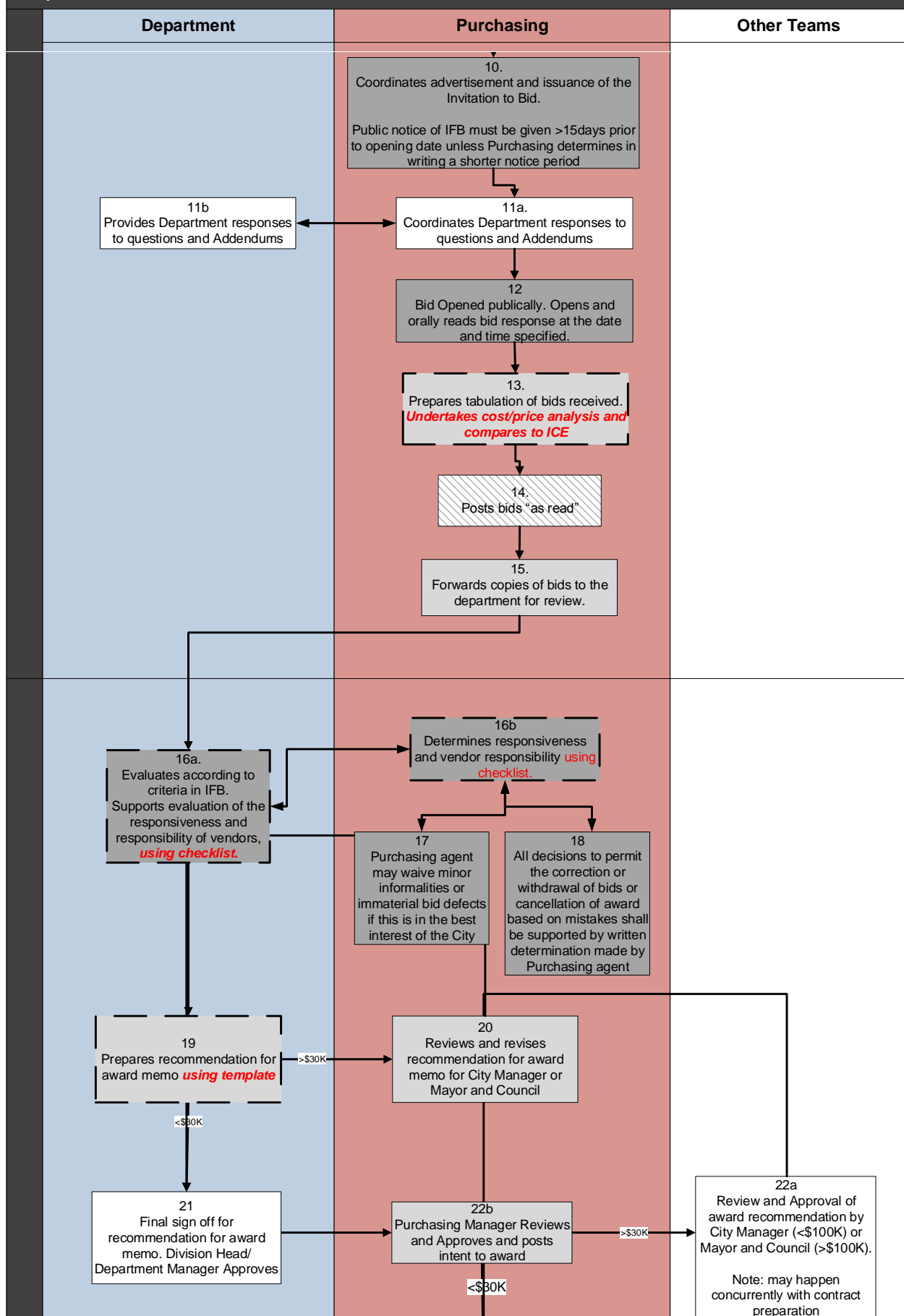
#### Recommendations for Improvement:

- Clarify the roles and responsibilities of the process and involvement of both Purchasing and the department in identifying rider contracts and gathering the documentation. Either Purchasing or the Department could take the lead in this process, whichever would be best able to collect the documentation together in the most efficient manner.
- Implement ICE form in departments. An ICE should be undertaken to ensure that the pricing contained in the rider contracts is reasonable, in line with market pricing.
- A rider contract determination checklist should be implemented so that the determination that the contract is rideable and an evaluation of the price can be documented in the contract file.
- An additional checklist should be available for departments so that they ensure all the relevant documentation, including clear statement of the City of Rockville requirements and applicable contract documents, are provided to Purchasing.

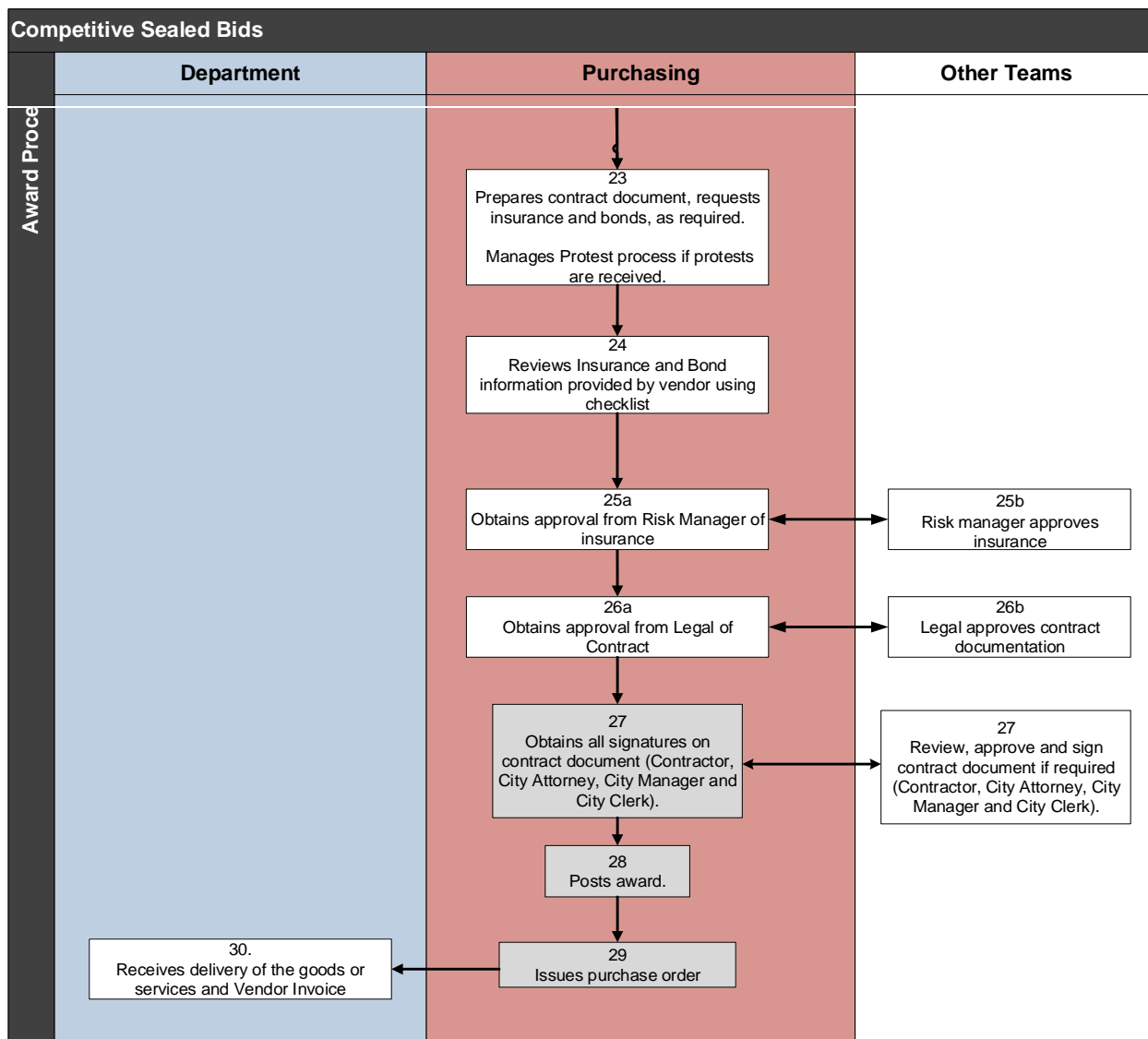
#### Competitive Sealed Bids



# Competitive Sealed Bids







#### Changes in Roles and Responsibility:

- Purchasing to determine responsiveness and responsibility
- Risk Manager involved in insurance analysis and decision making
- Bonding not needed on service contract

Current process: The department develops the draft specifications and other bid documents and sends these to Purchasing with the requisition. Purchasing verify the availability of the budget and review the specifications before coordinating the advertisement and bid process. Bids are opened publically on the date and time specified in the Invitation to Bid and Purchasing prepares the tabulation of bids received. The Bids are evaluated for responsiveness and responsibility of vendors by Purchasing and the department. A recommendation for award memo is completed by the department, for approval by the relevant authority depending on threshold value.

Code and Guide: The Code outlines in detail the process steps and also the regulations relating to bid defects, corrections, or withdrawal. In contrast the Purchasing Guide outlines only the high level steps and does not contain detail about the correction, withdrawal or cancellation of awards. This level of detail is seen within the procurement procedures from other benchmarked local agencies.

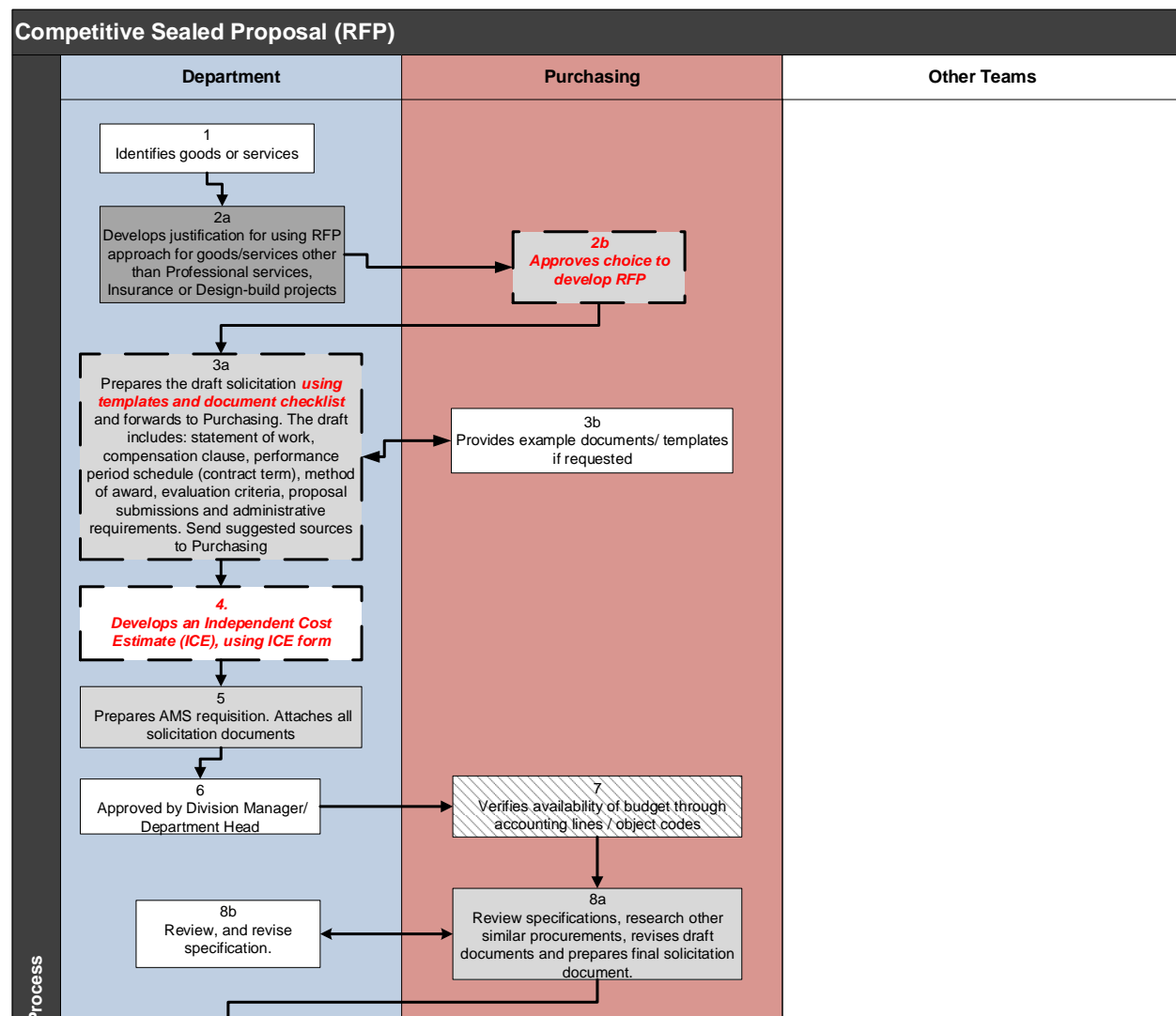
Efficiency and effectiveness: Purchasing reported that the development of the specification packet and the preparation of the Recommendation for Award memo often require several iterations as both Purchasing and different members of staff in the awarding department review and amend the drafts. This process can

be time consuming. Purchasing is required to verify the budget availability of the purchase when they receive the requisition. This is challenging for Purchasing as they do not have easy access to up to date budget information, so often have to request additional information from the department and Finance. The Purchasing guide indicates that the bids should be posted as read after tabulation. This does not need to be an additional step to the publishing of the bid tabulation.

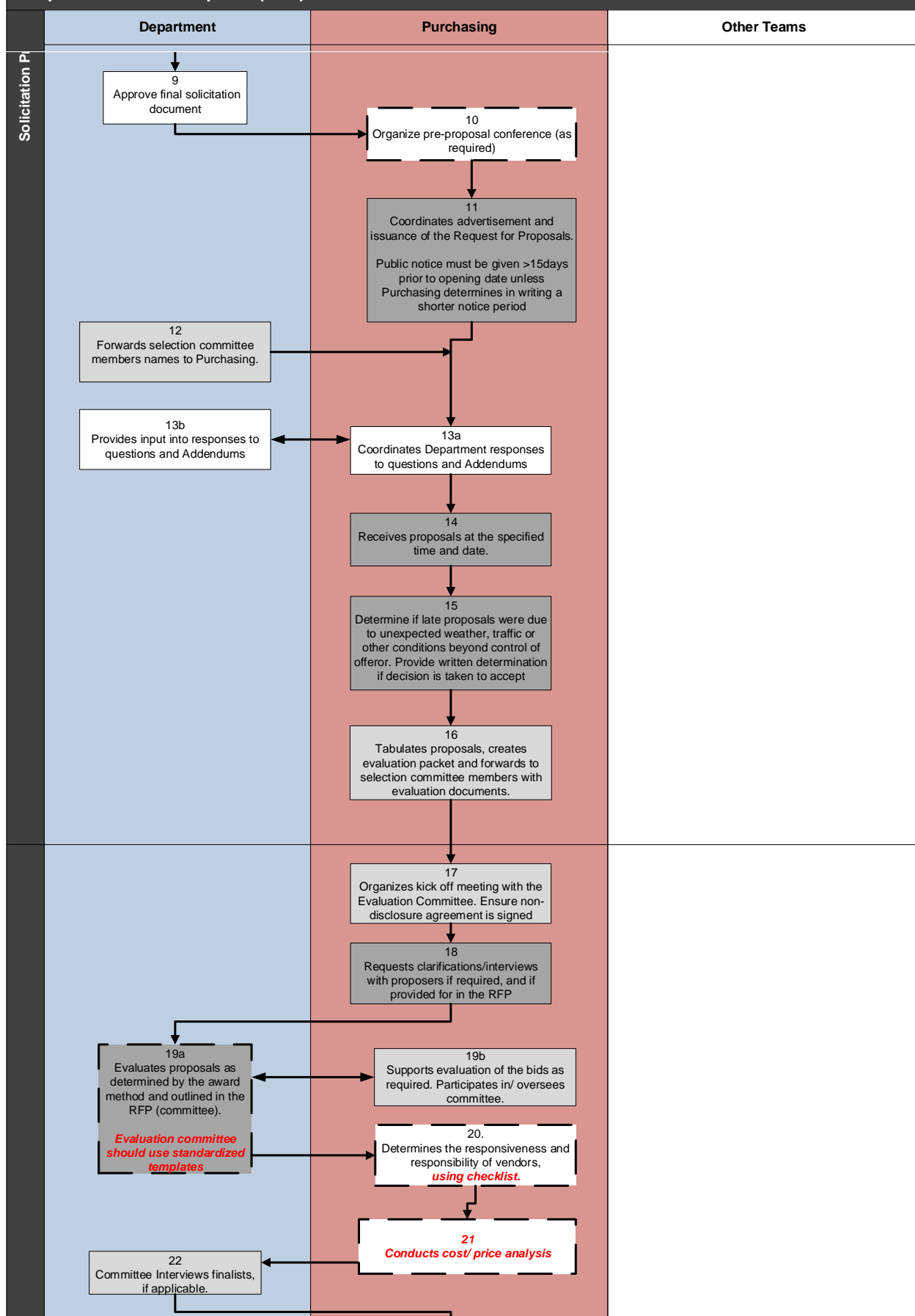
#### Recommendations for Improvement:

- Develop specification templates and a document checklist to support departments as they develop the bid packet
- Implement ICE form in departments
- Purchasing should not be responsible for verifying the availability of the budget. This should be the responsibility of the Head of the awarding department, before issuing the requisition and finance at contract award.
- Document cost/price analysis using a template. Compare the bids to the ICE.
- Use a checklist to document the review of responsiveness and responsibility.
- Develop a standard Recommendation for Award Memo template for use by the departments.

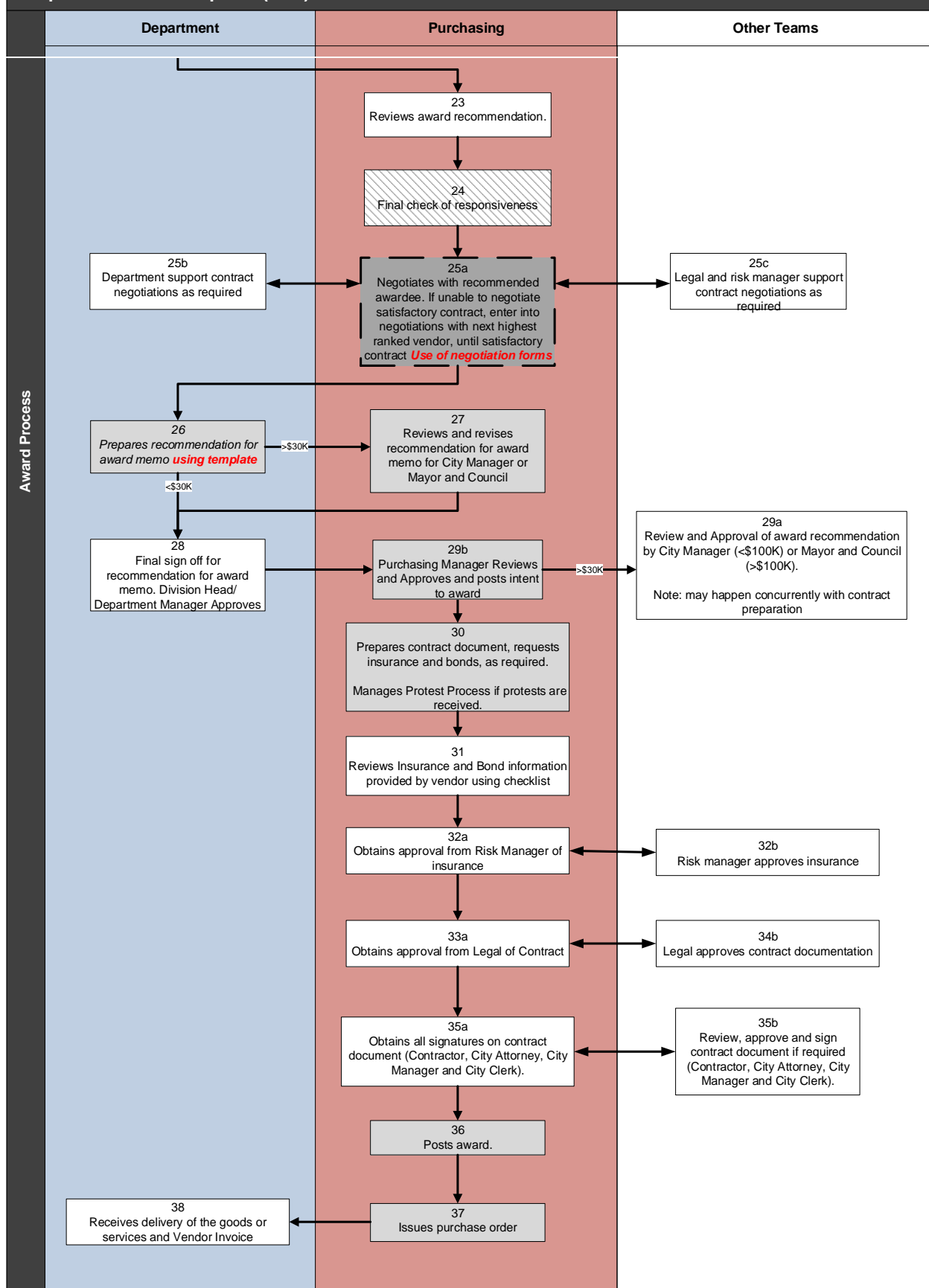
#### Competitive Sealed Proposals



## Competitive Sealed Proposal (RFP)



## Competitive Sealed Proposal (RFP)



### Changes to Roles and Responsibilities:

- Purchasing determines responsiveness and responsibility
- Risk Manager approved insurance requirements

- Purchasing prepares solicitation
- Purchasing conducts price analysis and conducts negotiations

Current process: The department develops the draft specifications and other bid documents and sends these to Purchasing with the requisition. Purchasing verify the availability of the budget and review the specifications before coordinating the advertisement and bid process. Proposals are received at the specified time and date. Purchasing tabulates the proposal and develops a packet of information for the Evaluation Committee, the members of whom have been suggested by the department. The Evaluation committee, with support from Purchasing review the proposals and may interview vendors, as outlined in the RFP solicitation. A recommendation for award memo is completed by the Department, for approval by the relevant authority depending on threshold value.

Code and Guide: As with the Competitive Sealed Bid process, the Code provides detailed guidance on the process steps involved. This includes the revisions to proposals and discussions with responsible offerors. The Code does not indicate use of an evaluation committee, as outlined in the Purchasing guide.

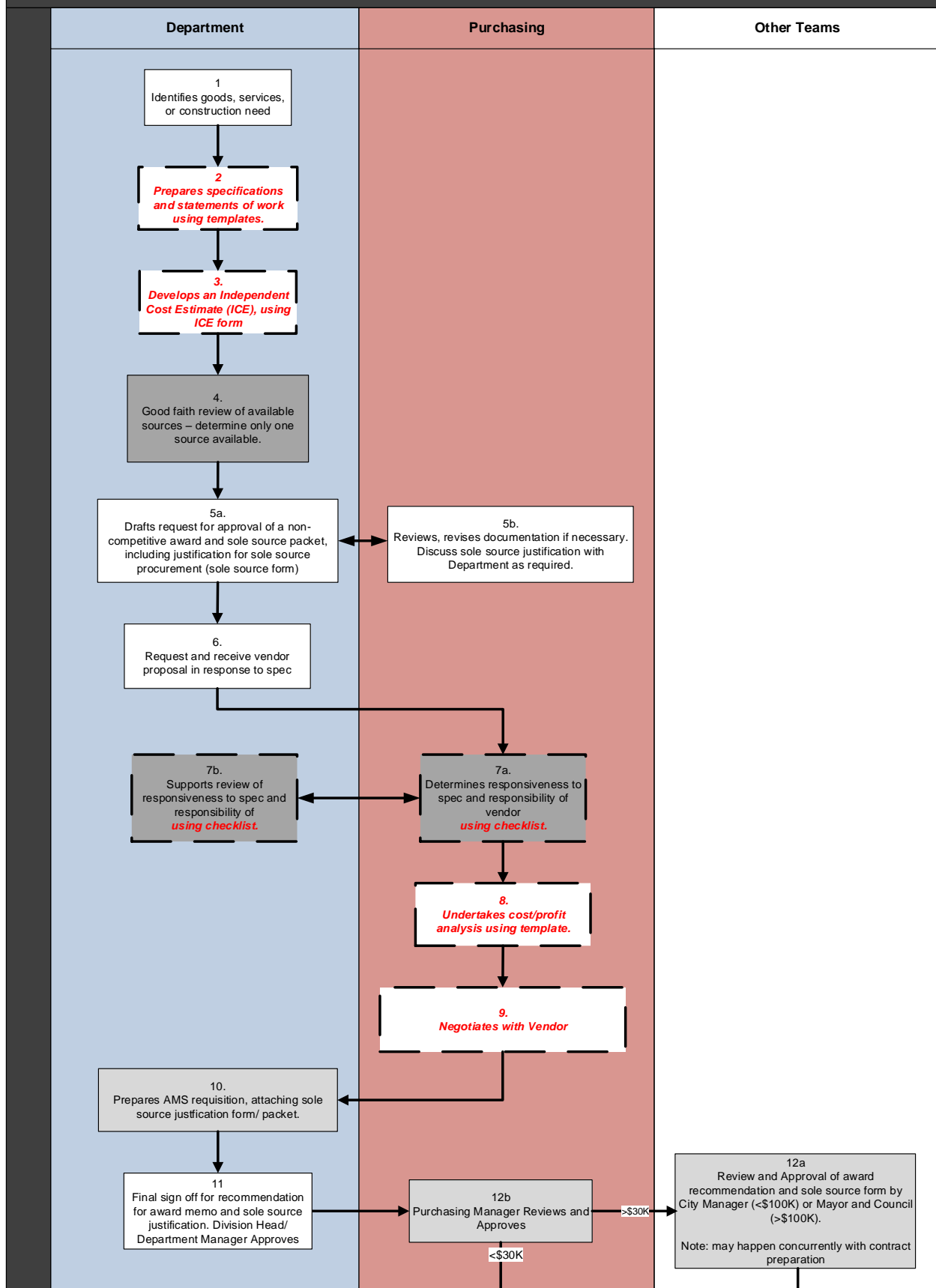
Efficiency and effectiveness: As with the Competitive Sealed Bid process, issues with the process were identified in the numbers of revisions required to solicitation documents and the Recommendation for Award memo and the requirement for Purchasing to determine budget availability when they do not have easy access to all information. Purchasing indicated that the City of Rockville has only started to use Evaluation Committees within the past couple of years, but departments are developing an understanding of their purpose and operation. Purchasing supports the Evaluation Committee and will organize a kickoff meeting to explain the approach. Departments can sometimes find it difficult to identify Evaluation Committee members which can lead to delays in scheduling the evaluation meetings. If a large number of proposals are received the committees can find it overwhelming, so Purchasing currently completes an additional check for responsiveness on the vendor that is chosen by the Evaluation Committee to identify any issues. This duplicates the current responsibility of the Committee to determine responsiveness and responsibility.

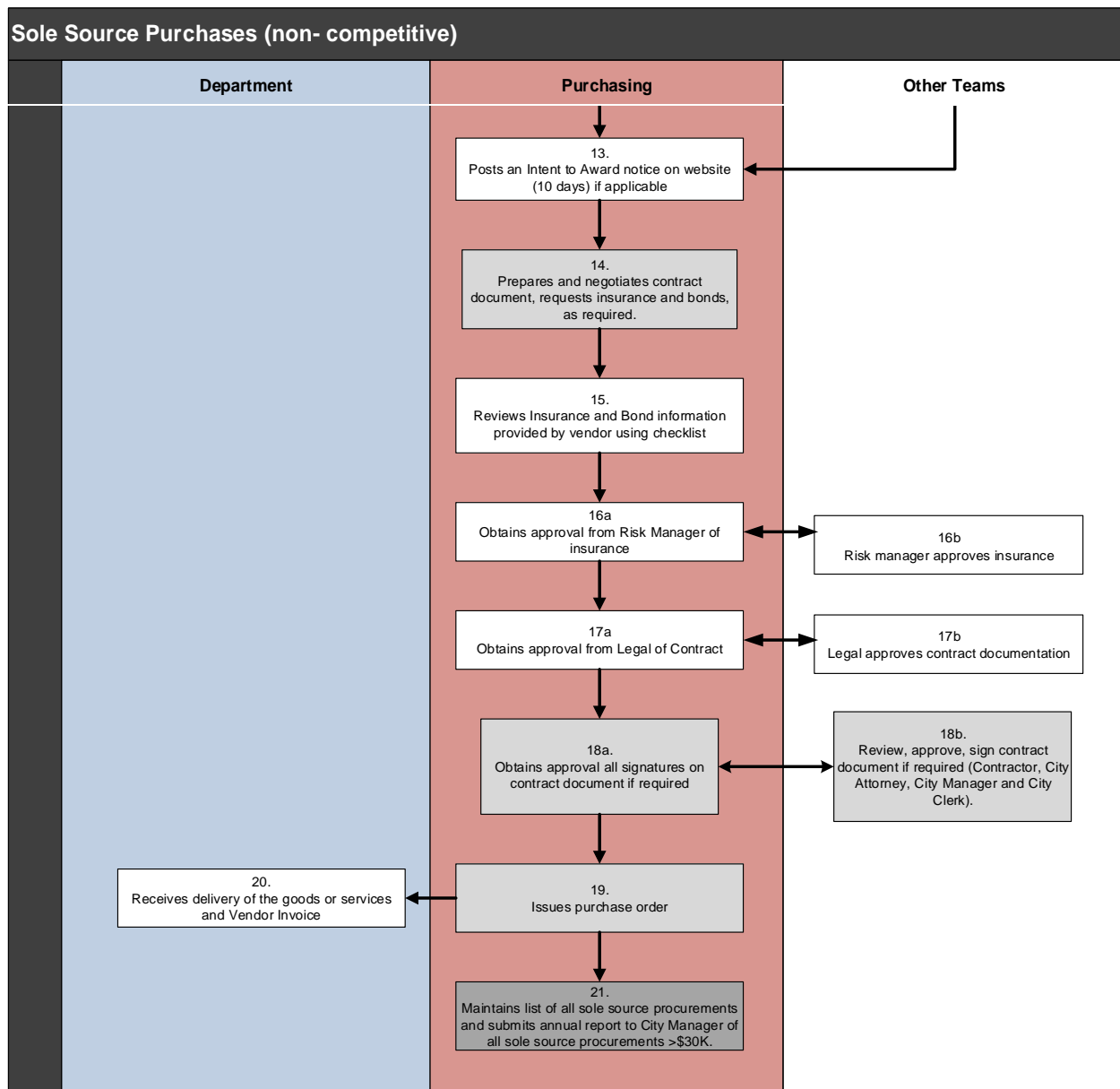
Recommendations for Improvement:

- Develop specification templates and a document checklist to support departments as they develop the RFP packet
- Implement ICE form in departments
- Purchasing should not be responsible for verifying the availability of the budget. This should be the responsibility of the Head of the awarding department, before issuing the requisition.
- Document cost/price analysis using a template. Compare the bids to the ICE. This should be the responsibility of Purchasing.
- Use a checklist to document the review of responsiveness and responsibility. This should be led by Purchasing with support from the department and Evaluation Committee.
- Include guidance for Evaluation Committee members into new purchasing manual to support those taking part.
- Develop a standard Recommendation for Award Memo template for use by the departments.

## Sole Source Purchases

### Sole Source Purchases (non- competitive)





#### Changes in Roles and Responsibilities:

- Risk Manager involved in Insurance decision making
- Purchasing determines responsiveness and responsibility

Current process: The department identifies that there is only one source available for the goods/service that is required. The department submits a sole source justification form with the requisition, which is reviewed by Purchasing to check its validity before approval by Purchasing, City Manager or Mayor and Council depending on the threshold of the procurement.

Code and Guide: The Code indicates that a good faith review of available sources must be undertaken to determine if only one source is available. This should be the responsibility of the departments, and documented by them. As with all procurements a determination of responsibility must be made. The Code indicates that a record of sole source procurements should be maintained including the justification for the sole source, and that Purchasing must submit to the City Manager an annual report of all the sole source procurements >\$30,000. The Guide summarizes a high level process, including the department

development of the sole source form and the thresholds for approval. We could not determine whether this report has been completed.

Efficiency and effectiveness: A written sole source justification is developed by the department. Following practice from other agencies such as Frederick and Fairfax County and the City of Frederick, the justification should include written evidence to support the sole source recommendation, such as evidence of the good faith review of available sources. This information would facilitate Purchasing's review of the sole source request.

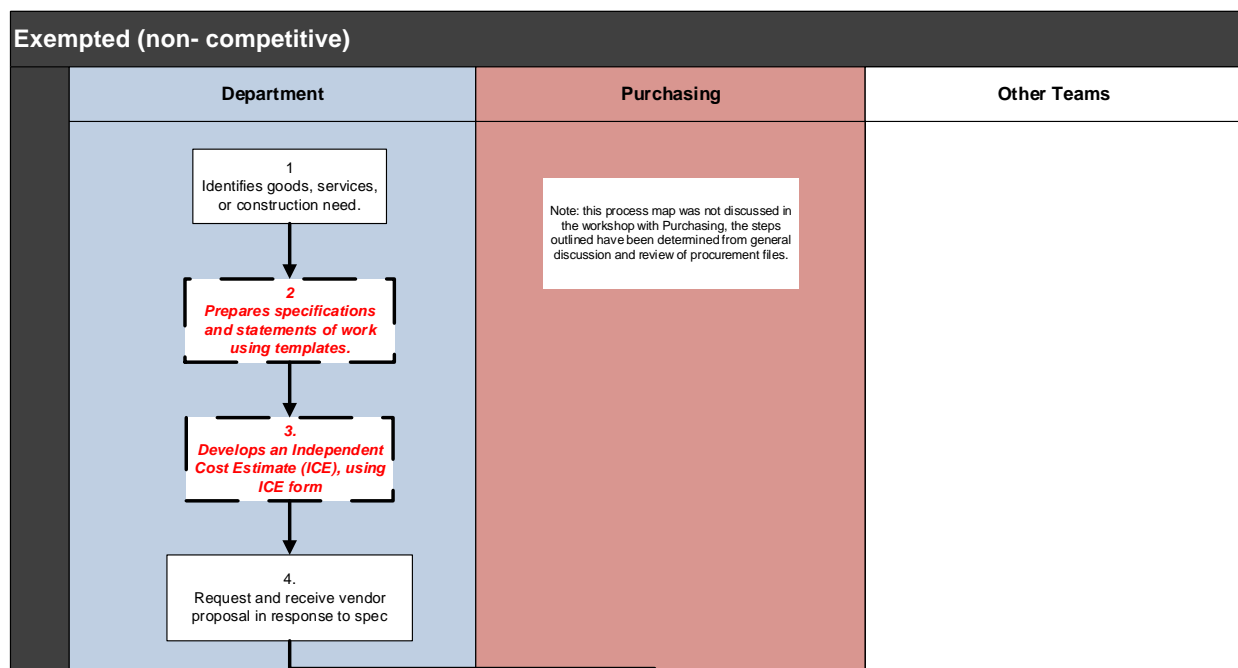
The extent to which the pricing and contract terms are negotiated is not clear. Local benchmarking and best practice indicates that cost/profit analysis should be undertaken when competition is lacking.

Purchasing indicated that they sometimes post sole source awards on the website, particularly when there is some concern that there may be additional sources. This approach is standardized in the Town of Herndon, and Fairfax County where all purchases above the formal competitive process threshold must be advertised on the city website and/or in the Purchasing Division on the day of the award/decision to award. In contrast Frederick County and the City of Frederick just require that the record of sole source procurements are maintained as a public record. Purchasing should ensure that this becomes part of the standard process for all sole source procurements over the \$30,000 threshold.

#### Recommendations for Improvement:

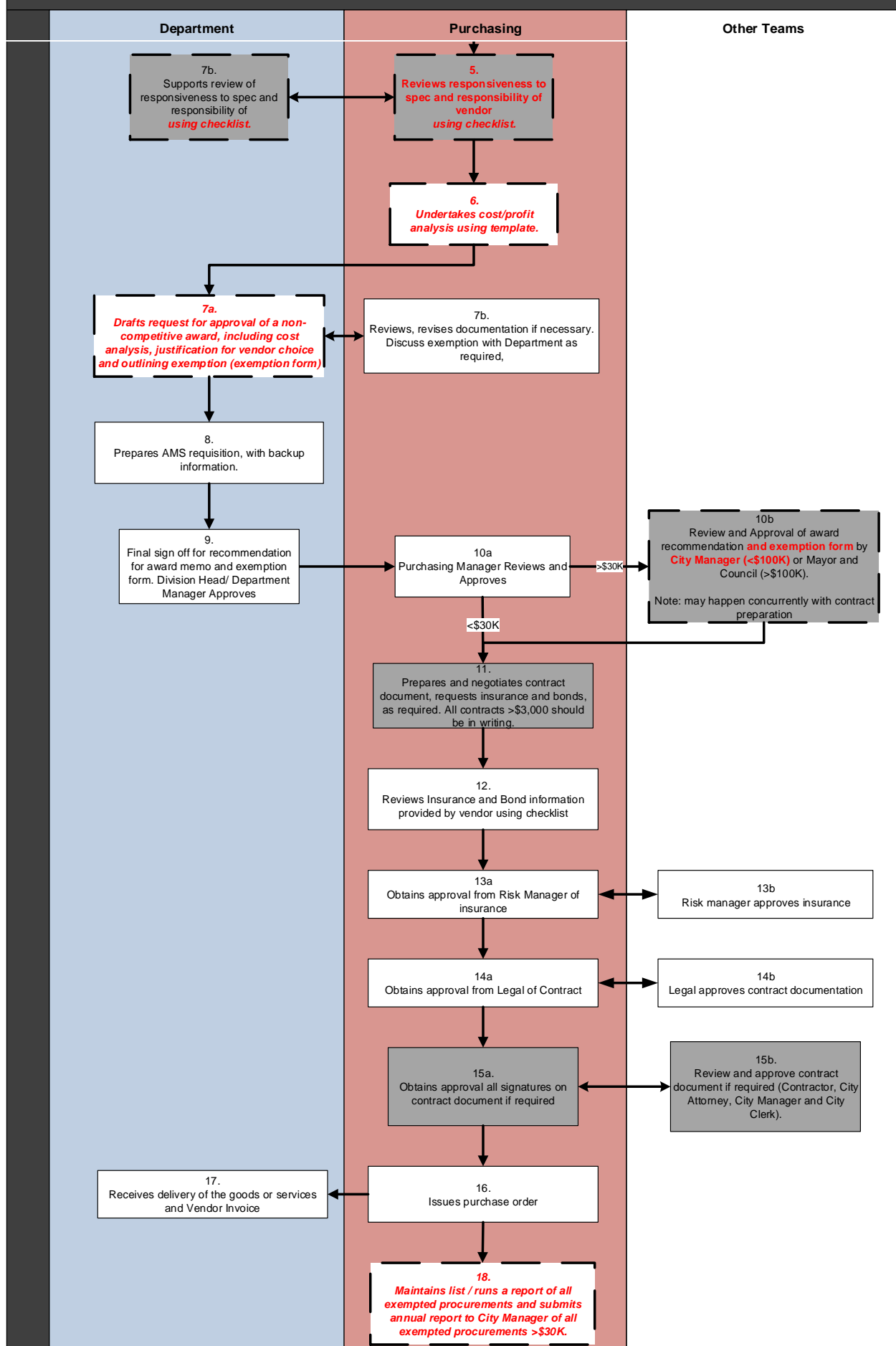
- Implement ICE form in departments.
- Ensure clear statement of work is developed by the department for review by Purchasing and the vendor. Use a standardized template.
- Purchasing should undertake a cost/profit analysis review of the vendors' proposal.
- Use a checklist to document the review of responsiveness and responsibility.
- Negotiate the terms with the vendor, and document this within the contract file.
- Develop a standard Recommendation for Award Memo template for use by the departments
- Ensure the list of sole source procurements is maintained as a public record.
- Determine the approach to publishing notice of sole source procurements over >\$30,000 and standardize this across all procurements.

#### Exempted (non-competitive) Purchases





## Exempted (non- competitive)



#### Changes in Roles and Responsibilities:

- Risk Manager determines and approves insurance requirements
- Purchasing determines responsiveness and responsibility
- Review and approves non-competitive justification
- Purchasing conducts cost analysis

Current process: Purchasing is provided with a requisition from the department indicating the vendor choice and exemption and may be involved with developing any required contracts and obtaining insurance, Risk Manager and Legal approval.

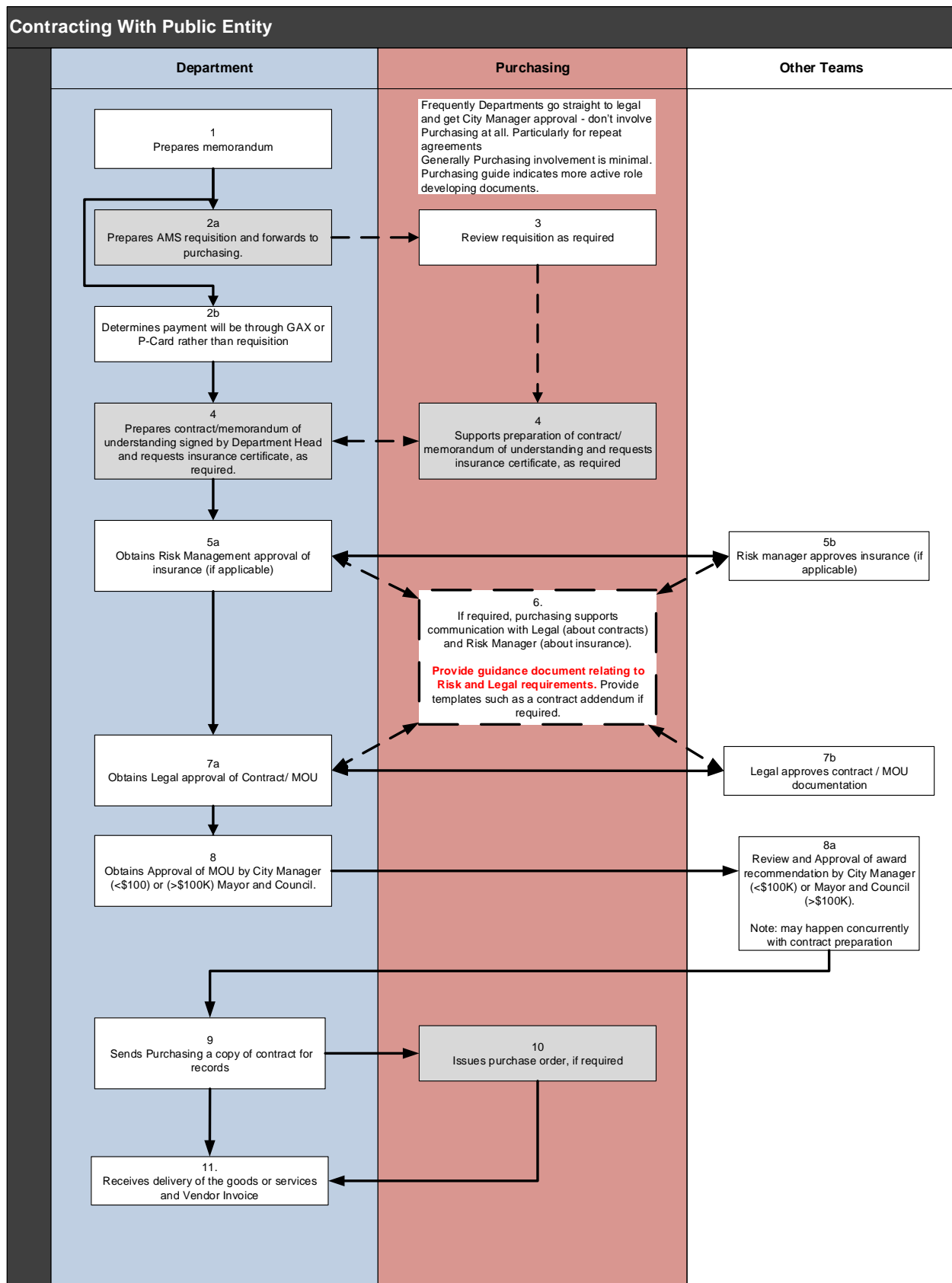
Code and Guide: The Code lists the situations where a purchase is exempt from competition. Neither the Code nor Purchasing Guide provide specific information relating to the process used to complete these purchases. The Code indicates that the requirements relating to written contracts and awarding authorities still apply.

Efficiency and effectiveness: The process for undertaking exempted purchases is not documented. Consideration of price reasonableness and the responsiveness or responsibility of the vendor is not documented as part of a standard process. Although these procurements are exempt from competition, it is important that the department develop a clear specification of their requirements and have an estimate of likely cost, so that this can be compared to the vendor's proposal. There are many different types of exemption so it is important that the specific exemption is clearly listed on the requisition or through use of a standardized exemption form template.

#### Recommendations for Improvement:

- Clearly document the process for exempted purchases
- Implement ICE form in departments.
- Ensure clear statement of work is developed by the department for review by Purchasing and the vendor. Use a standardized template.
- Purchasing should undertake a cost/profit analysis review of the vendor's proposal to ensure price reasonableness.
- Use a checklist to document the review of responsiveness and responsibility.
- Negotiate the terms with the vendor to ensure the interests of the City of Rockville are served and document this within the contract file.
- Develop a standard Recommendation for Award Memo template for use by the departments
- Maintain a list or run a report of all the exempted procurements and submit this to the City Manager annually so that there is an understanding regarding the number of and spend on exempted procurements

## Contracting with Public Entity



Current process: A public entity procurement is an agreement to acquire goods, services or construction from a public entity, such as Montgomery County and WSSC. Purchasing indicated that they are often not involved with public entity procurements as they do not require public notice or a non-competitive

justification, as outlined in the Purchasing Guide. Purchasing may offer advice and support relating to contracts and insurance if required.

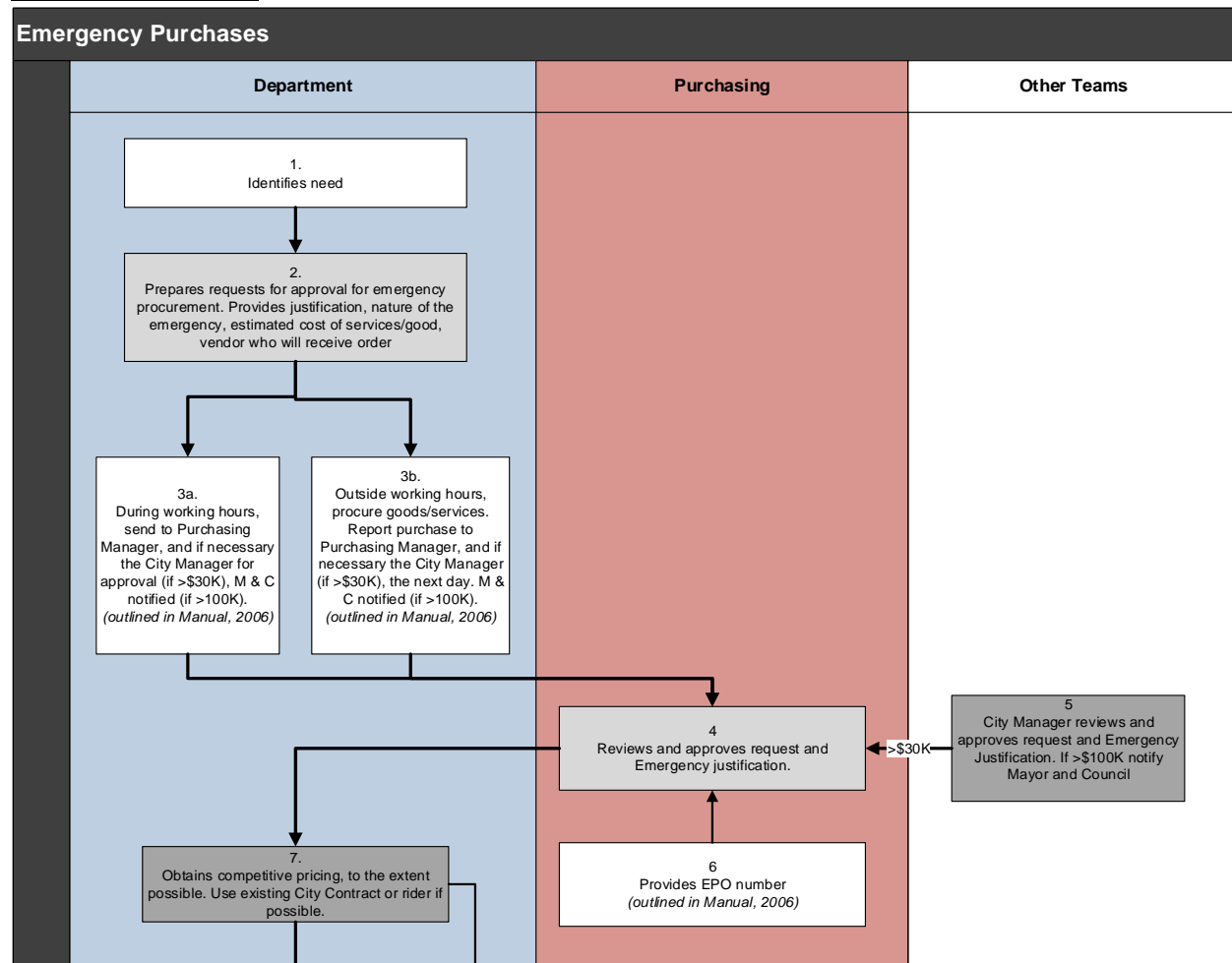
Code and Guide: The Code makes provision for Contracting with Public Entities, but does not provide any guidance on the process steps or provide examples of the type of contracts envisioned. The Guide provides more detail, but actual practice does not always follow these steps. For example, the Guide indicates that Purchasing prepares the contract or memorandum of understanding, but Purchasing indicated that often the department will work directly with Legal to develop approved agreements, which are provided to Purchasing at the end of the process for record.

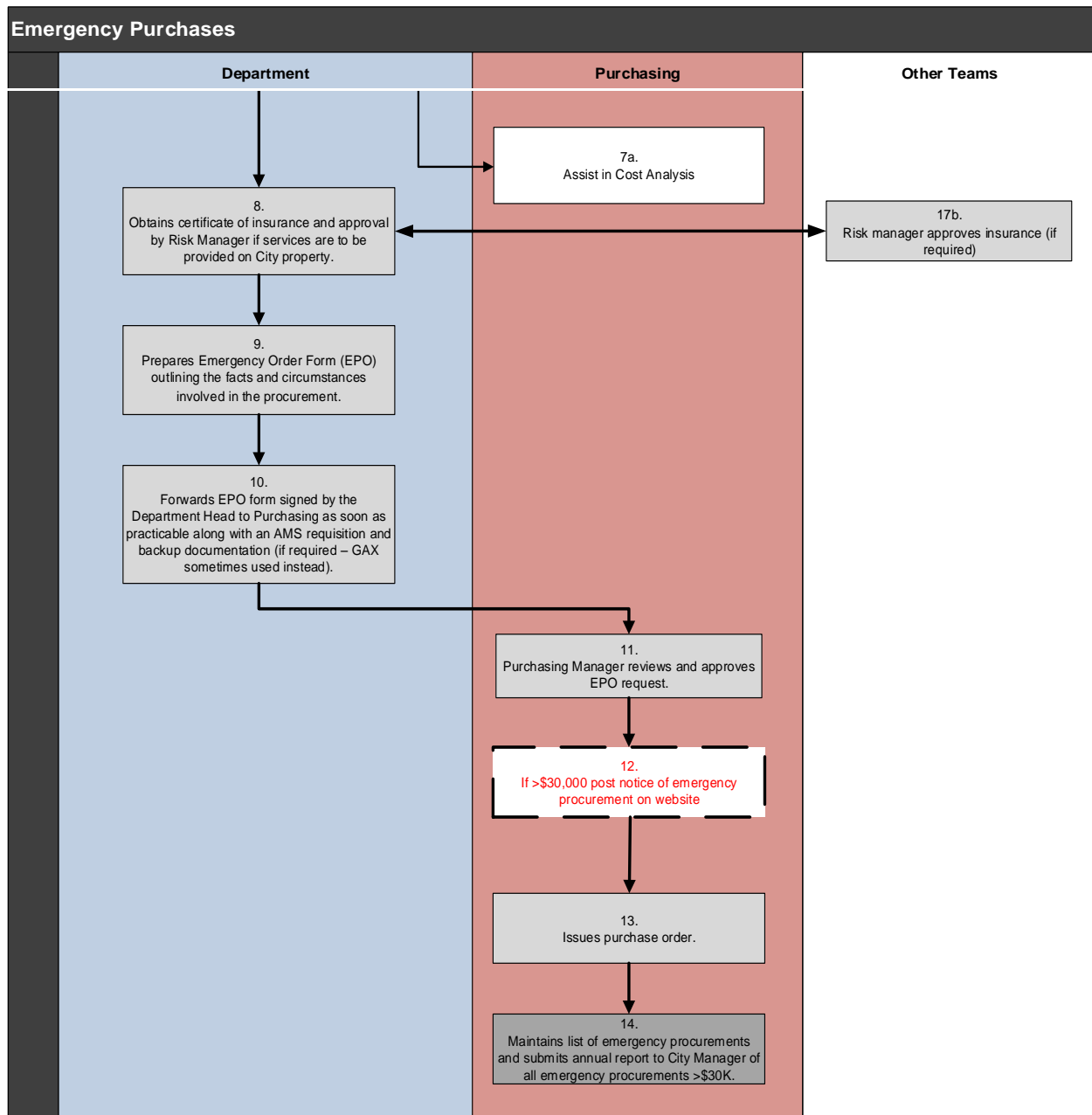
Efficiency and effectiveness: Purchasing does not have much involvement with this process so it was difficult to determine the efficiency and effectiveness. Discussions with the user departments did not highlight this process as problematic.

Recommendations for Improvement:

- The Procurement Manual should be updated with clearer roles and responsibilities for the departments and Purchasing.
- The process for Risk Management and Legal review, and insurance requirements should be documented as guidance for user departments.

Emergency Purchases





Changes in Roles and Responsibilities:

- Purchasing included in EPO approval and cost analysis
- Sole Source awards posted on website

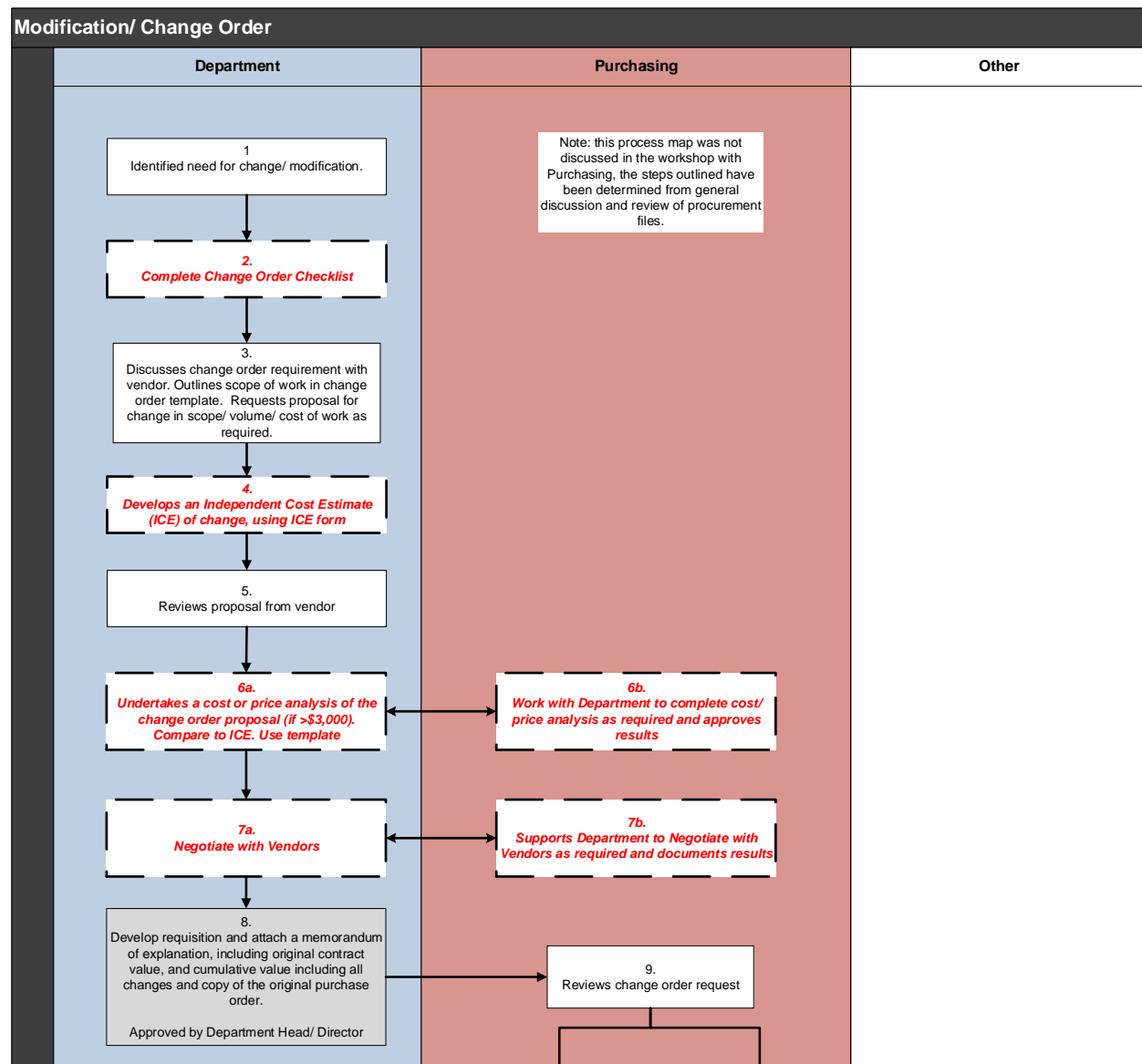
Current process: When an emergency arises a request for emergency procurement, including justification and nature of the emergency is provided to Purchasing, or if the emergency occurs out of hours, a report should be provided the next day. The department must undertake competitive procurement where possible. Emergency purchases are driven by the department, and Purchasing is only involved in reviewing and approving the emergency purchase justification and formal EPO request to allow payment authorization.

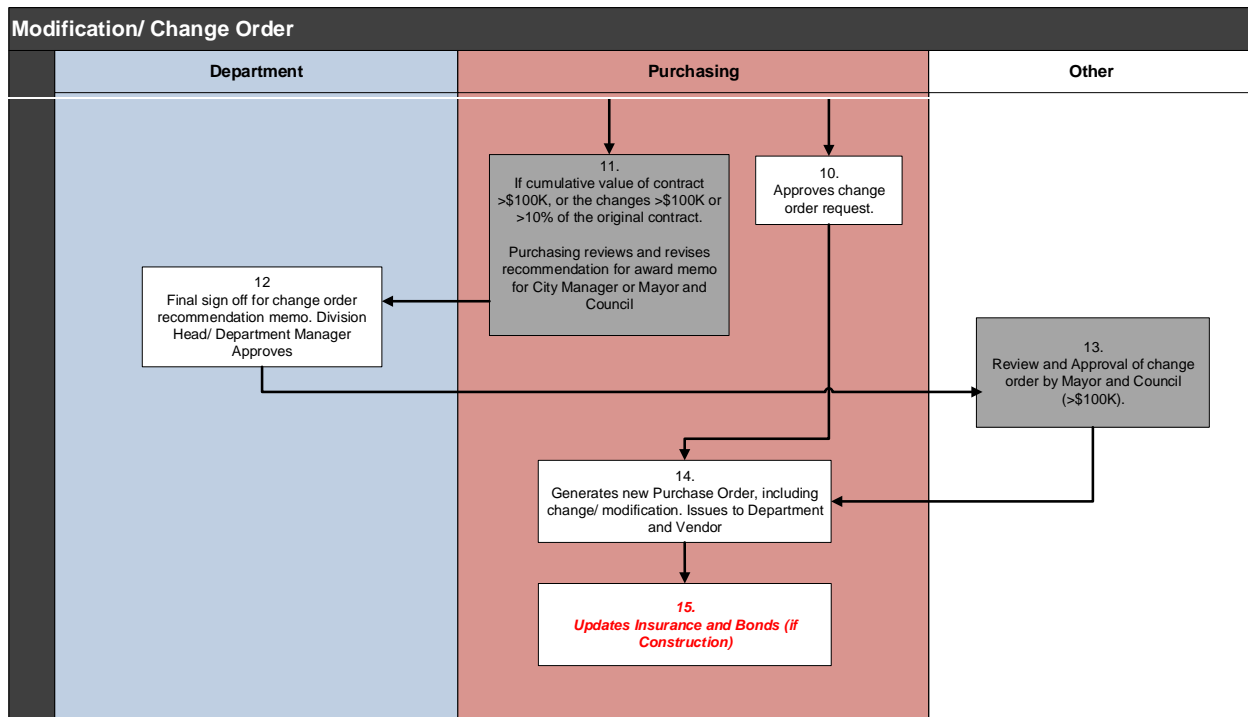
Code and Guide: The current process seems to follow the processes outlined within the Code and Purchasing Guide. The Code outlines the circumstances justifying an emergency procurement without competition, and details the documentation and approval requirements. The Purchasing Guide provides detailed steps regarding the approach, although more information about the approach out of hours is contained within the 2006 Procurement Manual.

Efficiency and effectiveness: The approach is efficient, allowing the department to respond to an emergency out of hours, but ensuring the relevant approvals are obtained in advance where possible, or as soon thereafter if necessary. The City of Rockville has an existing Emergency Request Form which ensures standardized information is captured. Wherever possible competitive bids must be sought. This is in line with the benchmarked processes from other local agencies. The Town of Herndon and Fairfax County also outline that if the contract is over the formal procurement threshold then a notification of the purchase should be publically posted at the time of the award or decision to award. This does not appear to be standard practice at the City of Rockville, but would provide transparency if there were any later protests.

Recommendations for Improvement: The process seems to be well known within the City of Rockville and departments already utilize an emergency purchase form to document the process. The only area of improvement may be to publish the emergency procurements greater than \$30,000 on the City of Rockville website, to ensure that all information is publicly available.

### Modifications/ Change Orders





#### Changes in Roles and Responsibilities:

- Purchasing included and approves negotiations and cost/ price analysis

Current process: The department identifies the requirement for a change order, discusses with the vendor and develops a requisition including explanation of the changes. Purchasing reviews the change order request and if the change meets the requirements in the Rockville Code the modification/ change will be sent to the City Manager or Mayor and Council for approval.

Code and Guide: The Code outlines the types of contract changes (including modifications, change orders and price adjustment) that must be approved by the Council (step 9 & 11). The Purchasing guide does not mention the modification of change order process.

Efficiency and effectiveness: The department may verify the reasonableness of the vendor quote for the change order work, but this is not always documented. It is not clear if any negotiation occurs regarding these quotes. The process may need some standardization across all departments. One user department indicated they had developed a change order form to help document their change orders and modifications.

#### Recommendations for Improvement:

- Clarify the roles and responsibilities of the process. Purchasing should issue and receive quotes, prepare the bid tabulation and determine the responsiveness and responsibility of vendors, with support from the department where required.
- Implement ICE form in departments
- Implement a change order checklist and change order recommendation memo template across all departments to standardize the approach.
- Provide guidance and training to department staff regarding the change order process, documenting cost/price analysis of vendor proposals and negotiation. Purchasing should support these activities as required.

### 3.8 Solicitation Outreach

The City of Rockville Code requires that the City give public notice of pending invitations for bids and requests for proposals “at least fifteen days prior to the date set forth for the opening of bids”. The City

purchasing guide also indicates requests for quotes should be posted and the City Code states requests for information are to be given public notice “as determined by the purchasing agent”. The City Code defines public notice as:

*“Notice of a procurement solicitation given in a manner reasonably calculated to provide notice to persons interested in the solicitation. At a minimum, such notice shall include posting notice of all pending procurements on a City website maintained for that purpose. Such notice may, but need not necessarily, include publication in a newspaper of general circulation, electronic mailing lists, and web sites maintained for that purpose”*

Calyptus conducted interviews with Purchasing staff, reviewed the City of Rockville website, and reviewed the documentation maintained for a sample of procurement actions to determine the level of compliance with these requirements. We determined that pending RFQs, IFBs, and RFPs are posted to the City website as required by the City Code as well as being posted to the eMaryland Marketplace website; however, no other outreach is conducted around individual solicitations. We found no evidence of the use of builders’ lists or prequalification for vendors.

The City has implemented a program to increase participation from minority, female, and disabled owned (MFD) businesses that includes an outreach component. Outreach efforts include disseminating bid information to MFD businesses on request and attending conferences, seminars, and networking functions to identify potential MFD firms. The City also has plans to conduct its own training events for MFD firms to provide education and information on the City’s procurement opportunities. Purchasing reported that it had conducted one training event but does not currently have a list of potential MFD bidders.

**Recommendation 19: Investigate additional public procurement websites for opportunities to post public notice of pending procurement actions.**

City advertising efforts are limited to the City website and eMaryland Marketplace.

The City is not presently using websites such as BidSync or similar advertising mechanisms other than the City of Rockville website and eMaryland Marketplace to publicize pending solicitations. Increasing the use of public procurement websites beyond Maryland may result in reaching a wider pool of potential vendors thereby obtaining higher levels of competition and reduced prices for supplies and services.

**Recommendation 20: Develop a bidders list for use in identifying bidders for procurement opportunities. The list should reflect MFD firms and be updated with each solicitation.**

The City does not maintain a bidders list of potential vendors for products and services. The City does not maintain a list of all firms that have responded to solicitations in the past for use in identifying potential bidders for future procurement opportunities. Such a list can be used to ensure interested parties receive notification of upcoming solicitations.

**Recommendation 21: Identify potential MFD firms and conduct targeted outreach to increase MFD participation as prime or subcontractors on City procurements.**

To date the City has not fully implemented all the outreach strategies included in the normal MFD program. Pending activities include sending registration information to potential MFD firms, conducting additional internal training events, and attending external MFD events.

### **3.9 Purchasing System Improvement**

#### **Maturity of the Purchasing System**

Calyptus evaluated the City of Rockville against a set of elements of Public Sector Purchasing System excellence that has been developed and applied to Fulton County and the United States Postal Service. These criteria measure the present system and provide an evaluation of the City of Rockville system over four maturity levels. The four levels are as follows:



## Maturity Levels

**Planning:** Informal plans have been started, with some anecdotal successes. Metrics are not established or not tracked. Reactive strategies have been developed due to lack of market or client analysis. Purchasing is beginning an initiative in this element.

**Managing:** Formal plans have been developed and are being deployed. Initial results have been achieved, but not across all of Purchasing. Voice of the customer input has begun to be integrated into purchasing processes. Focus on supply chain is on price only and few highly productive approaches have been implemented.

**Executing:** Moderate results are being achieved by groups across Purchasing. The supply chain is an integrated process and Purchasing is achieving high client satisfaction. Metrics are being tracked and Purchasing is continuously improving results.

**Excelling:** Significant results are being achieved based on continuous improvement efforts. The supply chain is fully integrated with suppliers and clients. Purchasing is considered an internal benchmark and can be favorably compared to external benchmarks.

Each of the following areas were evaluated and the analysis of the City's purchasing is highlighted in the charts below. The City's system was assessed against the eleven (11) areas as noted below

- |                                   |                                     |
|-----------------------------------|-------------------------------------|
| 1) Strategy                       | 7) Supplier Relationship Management |
| 2) Supply Chain Integration       | 8) Performance Management           |
| 3) Human Capital                  | 9) Value Management                 |
| 4) Cross-Functional Integration   | 10) Technology Enablement           |
| 5) Innovation                     | 11) Purchasing Results              |
| 6) Client Relationship Management |                                     |

### Strategy

## Category: Strategy

A general direction set by Purchasing and its various components and activities to achieve a desired state in the future. Strategy results from the detailed strategic planning process.

| Element   | Level 1<br>Planning       | Level 2<br>Managing           | Level 3<br>Executing                | Level 4<br>Excelling              |
|---|---------------------------|-------------------------------|-------------------------------------|-----------------------------------|
| Categories with strategic plans developed and approved    | 0 → 25%                   | 26 → 50%                      | 51 → 75%                            | 76 → 100%                         |
| Category spend with sourcing plans developed and approved | 0 → 25%                   | 26 → 50%                      | 51 → 75%                            | 76 → 100%                         |
| Forward-looking plans at City level                       | Not done                  | Informal                      | Partially complete                  | Complete and approved             |
| Level of integration with internal groups                 | Informal with key clients | Formal plans with key clients | Informal plans with internal groups | Formal plans with internal groups |
| Strategy status reviews                                   | Yearly                    | Every 6 Months                | Quarterly                           | Monthly                           |
| Purchasing strategy development                           | Every 5 Years             | Every 3-4 Years               | Every 2-3 Years                     | Every 1-2 Years                   |

## Category: Supply Chain Integration

The linkage of the buyer and seller organizations through technology, information, data, and shared knowledge so that the conduct of supply chain activities are faster, less expensive, and at a higher quality.

| Element  | Level 1<br>Planning | Level 2<br>Managing | Level 3<br>Executing | Level 4<br>Excelling |
|--|---------------------|---------------------|----------------------|----------------------|
| % Key suppliers having access to the City portal | 0 → 25%             | 26 → 50%            | 51 → 75%             | 76 → 100%            |

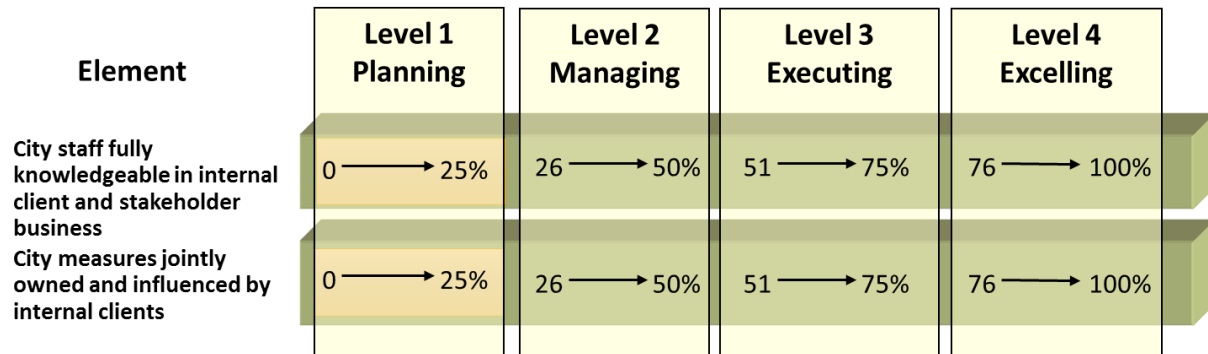
## Category: Human Capital

The knowledge, skills, abilities and capacities possessed by people.

| Element   | Level 1<br>Planning | Level 2<br>Managing | Level 3<br>Executing | Level 4<br>Excelling |
|---|---------------------|---------------------|----------------------|----------------------|
| Training hours per City employee/year   | 0 → 40              | 41 → 60             | 61 → 80              | 81 → 120             |
| Professional staff with 4-year degrees  | 0 → 25%             | 26 → 50%            | 51 → 75%             | 76 → 100%            |
| Professional staff with advanced degrees  | 0 → 10%             | 11 → 25%            | 26 → 40%             | >40%                 |
| Staff that have formal and managed IDPs   | 0 → 25%             | 26 → 50%            | 51 → 75%             | 76 → 100%            |
| Staff goals/targets align to Maturity Model and are a part of formal evaluation | 0 → 25%             | 26 → 50%            | 51 → 75%             | 76 → 100%            |
| Professional staff with certifications  | 0 → 25%             | 26 → 50%            | 51 → 75%             | 76 → 100%            |

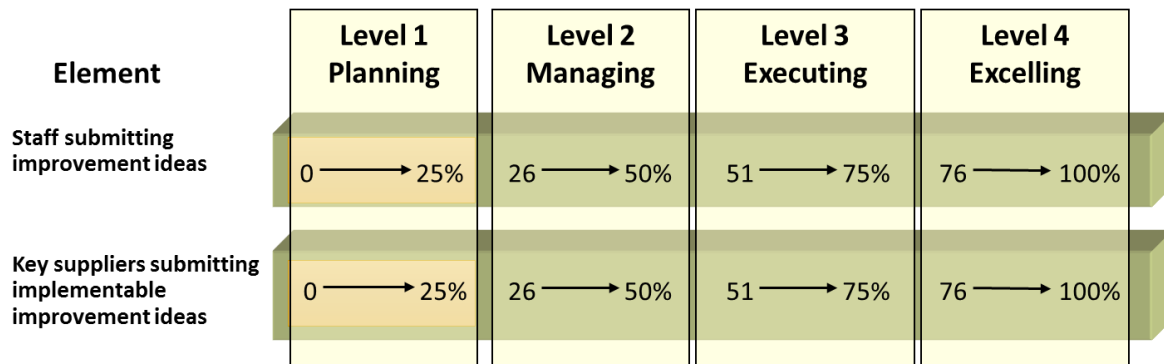
## Category: Cross-Functional Integration

The process through which a group with diverse capabilities and responsibilities works together to solve common problems or accomplish a mutual goal by sharing information, knowledge and experience.



## Category: Innovation

The implementation of a new idea that generates value in Purchasing.



## Category: Client Relationship Management (CRM)

The way Purchasing manages interactions with its clients. A successful solution depends on the ability to interact with clients through any channel they choose, as well as a way to track and maintain real-time records of client interactions so a complete view of the client can be established. Effective CRM delivers the personalized, informed service on-demand that clients expect based on Voice-of-the-Customer (VOC) input.

| Element   | Level 1<br>Planning | Level 2<br>Managing | Level 3<br>Executing | Level 4<br>Excelling |
|---|---------------------|---------------------|----------------------|----------------------|
| Client surveys                                    | Every 2 years       | Annually            | Every 6 months       | Quarterly            |
| Staff trained in customer service principles      | 0 → 25%             | 26 → 50%            | 51 → 75%             | 76 → 100%            |
| Key clients with validated requirements (VOC)     | 0 → 25%             | 26 → 50%            | 51 → 75%             | 76 → 100%            |
| Status reporting to key clients                   | Annually            | Every 6 months      | Quarterly            | Monthly              |
| Forecasting requirements and allocating resources | Yearly              | Every 6 months      | Quarterly            | Monthly              |

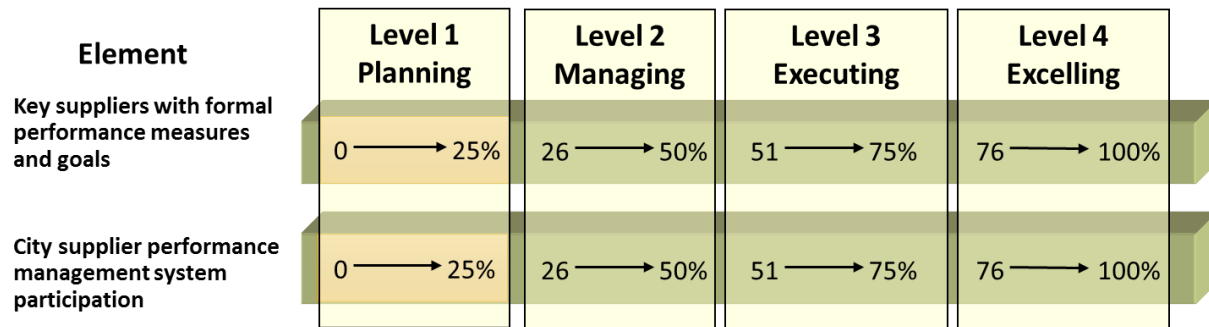
## Category: Supplier Relationship Management (SRM)

The management of the flow of information between suppliers and Purchasing, broken into the four categories of design, source, order and monitor. SRM also includes the process of managing key supplier relationships.

| Element   | Level 1<br>Planning | Level 2<br>Managing | Level 3<br>Executing | Level 4<br>Excelling |
|---|---------------------|---------------------|----------------------|----------------------|
| Key suppliers with formal development plans             | 0 → 25%             | 26 → 50%            | 51 → 75%             | 76 → 100%            |
| Key suppliers with performance reviews                  | 0 → 25%             | 26 → 50%            | 51 → 75%             | 76 → 100%            |
| Key suppliers having open communication links with City | 0 → 25%             | 26 → 50%            | 51 → 75%             | 76 → 100%            |

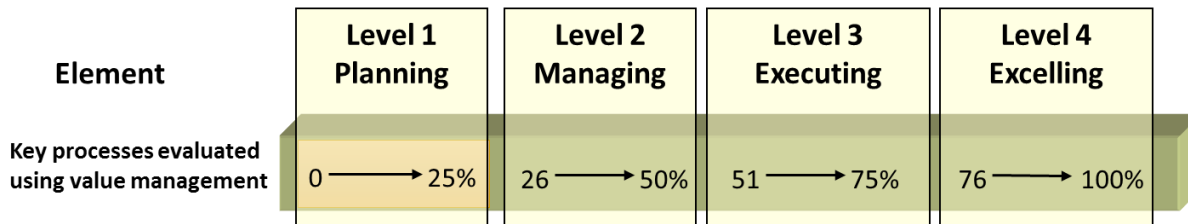
## Category: Performance Measurement

The process of developing measurable indicators and scorecards that can be systematically tracked to assess progress made in achieving predetermined goals and using such indicators to assess progress in achieving these goals by identifying gaps in performance. A performance gap is the gap between what clients and stakeholders expect and what each process and related sub-processes produces in terms of quality, quantity, time, and cost of services and products.



## Category: Value Management

A system that strategically aligns purchasing with Departmental goals by focusing on value drivers, Purchasing-specific programs, initiatives, and plans that tend to improve operating cash flow and client satisfaction. Value Management evaluates processes, systems, products and services to improve value-added, reduce costs, and/or improve quality and delivery performance.



## Category: Technology Enablement

A set of technology solutions that enable learning, collaboration, and real-time decision support and knowledge sharing to enhance Purchasing's productivity.

| Element  | Level 1<br>Planning | Level 2<br>Managing | Level 3<br>Executing | Level 4<br>Excelling |
|--|---------------------|---------------------|----------------------|----------------------|
| Key processes enabled                                    | 0 → 25%             | 26 → 50%            | 51 → 75%             | 76 → 100%            |
| Solutions fully implemented                              | 0 → 25%             | 26 → 50%            | 51 → 75%             | 76 → 100%            |
| Purchasing staff satisfaction with implemented solutions | 0 → 25%             | 26 → 50%            | 51 → 75%             | 76 → 100%            |

## Category: Results: Organization-wide performance based on the maturity levels attained in the other 11 categories of this model

| Element                                   | Level 1<br>Planning | Level 2<br>Managing | Level 3<br>Executing | Level 4<br>Excelling |
|---|---------------------|---------------------|----------------------|----------------------|
| Cost Savings                              | 1-3%                | 3-5%                | 5-6%                 | >6%                  |
| Key process cycle time reduction          | 1 → 10%             | 11 → 25%            | 26 → 40%             | >40%                 |
| Client satisfaction                       | 60 → 70%            | 71 → 80%            | 81 → 90%             | 91 → 100%            |
| Purchasing process quality improvement    | 1 → 10%             | 11 → 25%            | 26 → 40%             | >40%                 |
| Supplier delivery performance improvement | 1 → 10%             | 11 → 25%            | 26 → 40%             | >40%                 |
| Supplier diversity (MFD) (% of Spend)     | 1 → 15%             | 16 → 25%            | 26 → 40%             | >40%                 |

As can be seen from the analysis, the City is mostly in the planning phase of implementation of best practices. This is reasonable acceptable given the lack of continuity in Purchasing management and lack of aligned purchasing measures. These guidelines can be used to achieve an “excelling” level as a way to move to world-class Purchasing excellence.

### Recommendation 22: Develop a Strategic Plan

The City should develop plans to move from level to level over the next 3 years. This is an optimal plan to be developed by the new Purchasing Manager and the user departments. The areas of strategy, cross-integration, client relationship management, and purchasing results should be the initial focus areas. Plans for short-term (1-12 months), Medium-term (13-24 months) and long-term (25-36 months) should be developed so that the City's Purchasing system can be deemed characteristic of world-class excellence.

### 3.10 Award postings and Reporting to Mayor and Council

#### Actions Analysis from Website Information

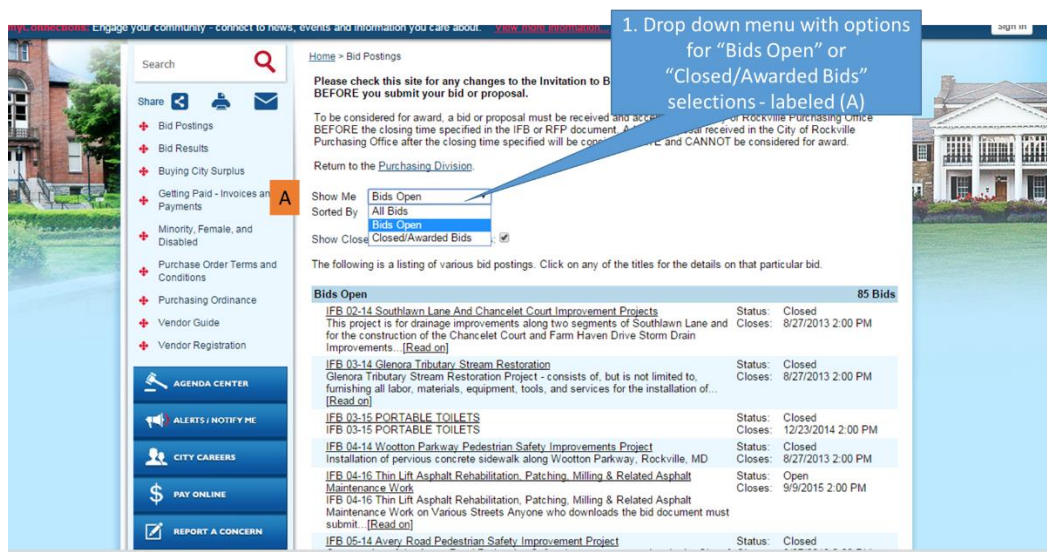
##### Context

The Rockville website includes a Bid Results page that contains information on IFBs, RFPs and RFQ's that have been posted by the City of Rockville. The information covers several years, with the earliest record from July 2011. Purchasing indicated that there has been a change to the website system, which may have affected records.

The website is available here:

<http://www.rockvillemd.gov/Bids.aspx?CatID=17&txtSort=Category&showAllBids=on&Status=>

The bid results page can be searched by either “Closed/Awarded Bids” or “Bids Open”. See menu (A) in the following image:



Each solicitation is given an individual status label of either ‘Open’, ‘Closed’, ‘Awarded’, or ‘Cancelled’.

There is some inconsistency with these lists:

- There is an additional option to show Closed/Awarded/Cancelled Bids under the “Bids Open” search. See comment 2 in the image below. It is confusing to be able to view procurements labeled closed on the “Bids Open” search
- Some, but not all, of these closed “Bids Open” procurements are also shown in the “Closed/Awarded Bids” list available from dropdown menu (A). See 3a and 3b in the image below.
- It is not clear what the difference is between procurements listed as ‘Closed’ and ‘Awarded’. It appears that these categorizations may be used interchangeably.



2. Having selected "Bids Open" on menu (A) you can also tick to show Closed/Awarded/Cancelled Bids

3a. This procurement is also on the list you get after selecting "Closed Awarded Bids" from menu (A)

3b. This procurement is not on the list you get after selecting "Closed Awarded Bids" from menu (A)

## Methodology

- The "Bids Open" and "Closed/Awarded Bids" lists were copied from the website on 7/31/15
- The numbers of IFBs, RFPs and RFQs were counted for each financial year. The year was determined both by the date closed, and by the procurement naming convention which includes the FY.
- Those procurements that were duplicated on both lists were removed from the "Bids Open" list.
- The below table summarizes the numbers of solicitations that are listed since FY2012.

| Procurement type                    | FY 2012   | FY2013    | FY2014    | FY2015    | FY2016 to 7/31/15 | Grand Total |
|-------------------------------------|-----------|-----------|-----------|-----------|-------------------|-------------|
| <b>IFB</b>                          | <b>24</b> | <b>17</b> | <b>35</b> | <b>27</b> | <b>4</b>          | <b>107</b>  |
| Awarded                             | 20        | 14        | 15        | 9         |                   | 58          |
| Cancelled                           | 4         | 2         | 3         | 1         |                   | 10          |
| Closed                              |           | 1         | 12        | 14        | 2                 | 29          |
| Listed as 'Closed' on Bids Open Tab |           |           | 5         | 3         | 1                 | 9           |
| Open                                |           |           |           |           | 1                 | 1           |
| <b>RFP</b>                          | <b>3</b>  | <b>5</b>  | <b>2</b>  | <b>6</b>  |                   | <b>16</b>   |
| Awarded                             | 3         | 5         | 1         | 6         |                   | 15          |
| Closed                              |           |           | 1         |           |                   | 1           |
| Listed as 'Closed' on Bids Open Tab |           |           | 7         | 2         |                   | 9           |
| <b>RFQ</b>                          | <b>30</b> | <b>19</b> | <b>9</b>  | <b>12</b> |                   | <b>70</b>   |
| Awarded                             | 28        | 18        | 5         | 2         |                   | 53          |
| Cancelled                           |           | 1         |           | 4         |                   | 5           |
| Closed                              | 1         |           | 4         | 6         |                   | 11          |
| (blank)                             | 1         |           |           |           |                   | 1           |
| Listed as 'Closed' on Bids Open Tab |           | 3         | 7         | 8         | 1                 | 19          |
| <b>Grand Total</b>                  | <b>57</b> | <b>41</b> | <b>46</b> | <b>45</b> | <b>4</b>          | <b>193</b>  |

## Findings

The following table summarizes the total number of solicitations undertaken in each financial year and the percentage of the different procurement types. This includes all actions, regardless of the outcome (awarded, cancelled, or closed).



|       | Procurement type | FY 2012 | FY2013 | FY2014 | FY2015 | Average |
|-------|------------------|---------|--------|--------|--------|---------|
| total | IFB              | 24      | 17     | 35     | 27     | 25.75   |
|       | RFP              | 3       | 5      | 2      | 6      | 4       |
|       | RFQ              | 30      | 19     | 9      | 12     | 17.5    |
|       | All actions      | 57      | 41     | 46     | 45     | 47.25   |
| %     | IFB              | 42%     | 41%    | 76%    | 60%    | 55%     |
|       | RFP              | 5%      | 12%    | 4%     | 13%    | 9%      |
|       | RFQ              | 53%     | 46%    | 20%    | 27%    | 36%     |

- An average of 47 solicitations are undertaken each year.
- During FY2012 and FY2013 the majority of solicitations were RFQ's. In contrast during FY2014 and FY2015 the majority of solicitations conducted were IFBs.
- The number of RFPs is low across all four years.

**Recommendation 23: Update and Make Clear all Data Posted on the Website**

Rockville should simplify the website search functionality, to completely separate open bids from those which are closed/awarded/cancelled. Clear definitions of 'closed', 'awarded' and 'canceled' should be provided on the website, and used consistently to track the outcomes of solicitations.

**Review of Submittals to the Mayor and Council**

Calyptus reviewed a sample of submittals to the Mayor and Council for the period April 16, 2012 through February 9, 2015. A total sample of 50 documents was reviewed. Procurements from most of the City's departments and divisions were included in the review.

The results of the reviews were as follows:

- 1) Required submittals for procurements over \$30,000 to the Mayor and over \$100,000 were submitted on a timely basis. We found no missing required submittals.
- 2) Submittals included adequate background information and summary data, as well as the purpose of the request
- 3) Summary data was provided for each requested action and financial terms and contract durations will generally provided
- 4) Requests were made for contract modifications, extensions, long term contracts, rider contracts, and individual contract actions
- 5) There was adequate coordination between Purchasing and user departments in the development of the submittals
- 6) Although a consistent format was used, there was a lack of consistency in the level of data provided
- 7) Evaluation of prices, particularly for rider contracts and extensions, was not included
- 8) Cost analysis was not provided for any of the sole or single source procurements, or from any contract modification
- 9) Few submittals included an analysis of the difference between the City's independent estimate and the proposed awardee's price
- 10) There was an insufficient explanation of the City's ability to use certain "rider" contracts, such as with NJPA and Keystone and contracts established in other states and jurisdictions
- 11) Sole Source justifications did not follow Code requirements
- 12) Exemptions were not evaluated effectively. The Code allows 18 exemptions for competition but the procurement process should be followed.
- 13) The elements of costs and profit for modifications were not fully explained, and the submittals did not include the analysis of whether the change was within the contract's scope
- 14) Extensions of contracts were generally assumed to be automatic, without the analysis of prices and an analysis of the current vendor's performance

- 15) Minor errors of fact were found. In one case, the submittal indicated a five year contract performance period, but the contract allowed the City to extend the contract further.

One or more informational or analytical deficiencies were found in each submittal. This indicates that there is room for improvement to ensure that the Mayor and Council are receiving the best information from which to make an educated judgment on whether to agree with Staff's recommendations.

**Recommendation 24: Standardize the information provided to the Mayor and Council**

The City should create a revised and consistent format for developing submittals to the Mayor and Council. In addition, a quality control check should be added in order to ensure that the proper level of detail and analysis is being provided.

### **3.11 MFD Program Improvement**

The City of Rockville has an informal MFD program adopted by the City Council in FY2015. The components of this program are as follows:

- Definition of MFD businesses
- Goals and objectives of the MFD program including:
  - Providing assistance and information on requests
  - Revising City policies/procedures that may adversely affect MFD
  - Disseminating bid information to MFD
  - Conduct debriefs with MFD on bid results
  - Working with other partners on outreach to MFD
  - Submitting articles to MFD publications
- MFD resources

Most state and local jurisdictions have formal Disadvantaged Business Enterprise (DBE) programs due to the requirement under Federal grants to have a formal plan (See 49 CFR 26). The major activities for the early part of implementation being pursued by Purchasing is providing training events for MFD firms and attending outreach programs held by others. The Council authorized a new Principal Buyer position effective July 1, 2015. Half of the new staff member's function will be devoted to the MFD program.

A significant amount of DBE participation is found as subcontractors to prime contractors in areas such as construction and architectural and engineering services. Further opportunities are available in areas such as consulting, IT services, janitorial services, landscaping, printing, parts and suppliers, transportation, and fuel.

**Recommendation 25: Enhance MFD Program**

Since the program is in the beginning stages of fruition and the formal resource has not been hired as of the date of this report, the City should consider the implementation of the program in stages. The current plan the City has adopted is not set up in a way to collect, analyze, and implement activities related to MFD businesses. In order to implement the informal MFD program the City should consider the following key activities:

- Coordinate training with SBA and other resources
- Develop and conduct training on how to do business with the City
- Include information about the program on the City's website
- Review procurements on an annual basis and on a case by case basis for MFD participation
- Develop MFD bidder's list
- Hold pre-bid and pre-proposal conferences to involve MFDs and prime contractors
- Set up the ability, on supplier registration, to track MFD and small business participation
- Ask for reports from prime contractors regarding the extent of utilization
- Report utilization to the Mayor and Council at least every six months.

### 3.12 City's Response to Action Plan

#### Methodology

Calyptus reviewed the action plan approved by Mayor and Council on October 1, 2014. Many of the areas included in the action plan have been independently reviewed without consideration of the information provided in the report entitled "Procurement Process Review, Analysis, and Recommendations" submitted by the previous City Purchasing Manager.

#### Review and Assessment

There were 7 areas of follow-up specified in the action plan. The status of each of these actions are provided below:

##### **1. Purchasing Card**

*Action: The Finance Department will continue to manage the p-card program with all controls, training, and periodic auditing in place to prevent abuse. The City Manager will receive notice of any erroneous use of p-cards or potential abuse and will coordinate with the department director and immediate supervisor to identify appropriate follow up.*

*Timeline: Ongoing*

*Assessment: These actions were validated. Training has been completed. Monthly periodic audits have been preformed of cardholder's actions.*

##### **2. Hiring**

*Action: The Human Resources Department, in conjunction with the Purchasing Division, will work with all City departments to refine and update job requirements as they relate to purchasing activities to ensure that newly hired employees with purchasing job responsibilities (e.g., developing specifications, scopes of work and/or comprehensive needs analyses) have a basic understanding of government procurement processes.*

*Human Resources and Finance will also establish a formal, mandatory training program for relevant staff members as part of the City's new employee orientation.*

*Timeline: Job requirements will be reviewed and updated in the context of the Compensation and Classification Study this fiscal year. The formal, mandatory training program for new employees will be implemented by the end of the fiscal year.*

*Assessment: The refinement and updating of job requirements related to purchasing activities was not completed. The mandatory purchasing training has not been completed for new hires.*

##### **3. Training**

*Action: Design and schedule monthly training sessions on key purchasing functions for those employees whose job description requires purchasing competencies or knowledge of basic government procurement processes. These employees, as well as their supervisors, will be required to attend. A mentoring or support system using experienced and knowledgeable staff in the departments to support their colleagues also will be established.*

*Timeline: Finance staff will conduct monthly training sessions for employees with the most significant training needs beginning in November 2014. A mentoring or support system will be in place by the end of the calendar year*

*Assessment: This training has not been completed. A mentoring or support system is not in place.*

#### **4. Culture**

*Action: The City Manager will request that the Compensation and Classification Study consultant incorporate a measurement of employee performance on critical administrative functions into the employee evaluation, as appropriate. In addition, Human Resources staff will incorporate an employee accountability topic into the mandatory supervisor training program that is currently underway.*

*Timeline: The timeline for the development of the new performance evaluation form will be available at the end of October. Human Resources will evaluate the current mandatory supervisor training session topics and attempt to either include this topic in an existing session, or add a new module to the program. The mandatory training sessions are being held throughout FY 2015.*

*Assessment: The consultant for the Compensation and Classification study did incorporate appropriate measures into their recommendation but there are no specific purchasing-related measures. Training incorporating purchasing topics have not been implemented.*

#### **5. Purchasing Processes and Technology**

*Action: Continue to monitor the value of implementing additional components of the City's financial system. Continue to review and revise processes and procedures to ensure they are effective and efficient.*

*Timeline: Ongoing*

*Assessment: For FY2016, a budgetary line item for the purchase of a contracts management system was authorized and an analysis of potential software is underway. There is a lack of knowledge of the available and potential functions for purchasing within AMS-CGI.*

#### **6. Purchasing Code**

*Action: The new Purchasing Manager will be asked to evaluate the current Code and bring forward any additional improvements that will enhance the Code. City staff will request the Mayor and Council's support in future Code changes.*

*Timeline: Any proposed changes to the Code will be presented to the Mayor and Council within one year after the new Purchasing Manager is hired.*

*Assessment: The Purchasing Manager is in the process of being hired and brought onboard as of the date of this report.*

#### **7. Additional Items**

*Construction - The report includes concerns about the management of construction projects ranging from buildings to roadways. Staff had already identified areas for improvement based on the experience managing the Senior Center addition and the Guide Maintenance Facility improvements. Those improvements are underway, including the development of a list of qualified owner's representatives who are available to provide expertise in construction management on behalf of the City for future projects.*

*Assessment: Owner's representatives have been hired for large construction projects. The City does not have a consistent change order/modification process. The Purchasing Policies and Procedures did not include areas such as independent cost estimates, need for cost analysis, and does not cover contract administration.*

*Department Planning – Staff agrees that there is value in each department investing additional time at the beginning of the fiscal year in planning for purchases and projects that require involvement of the Purchasing Division and staff has initiated that effort. Proactive planning at the department level, in conjunction with Purchasing, will improve communication, avoid confusion and increase efficiency. It could take the form of annual procurement plans as well as developing a purchasing cycle with departments to avoid last minute emergencies. The new Purchasing Manager will be tasked with developing a system to address this concern.*

Assessment: The need for procurement planning has been supported by user interviews and best practices. The Purchasing Manager is in the process of being hired and brought onboard as of the date of this report.

*Forms – Work to develop standardized templates for terms and conditions and contracts began during the former Purchasing Manager’s tenure and will continue as another way to increase efficiency.*

Assessment: Forms have been created for contractor information reporting, emergency purchase requests, partial payment receiving reports, reference check questionnaires (construction), request for quotations, sole source requests, bid/proposal tabulations, telephone quotes for goods and services, and vendor Code request form. These forms were observed during the completion of the procurement file review.

## **Section 4: Customer Service Assessment and Improvement**

### **4.1 User Department Survey Results and Backlog**

#### **Customer Service Analysis and Satisfaction of Customer Needs**

The City of Rockville Purchasing Division has the typical set of customers to be satisfied for a municipal agency. The customers include internal operating departments that desire to purchase products and services, administrative department such as Legal, City Manager, and Finance, and ultimately citizens of the City. A set of interviews was completed with internal and administrative customers to determine the strengths and areas for improvement.

#### **Purchasing Effectiveness**

Most City management staff reported that the current purchasing system is not meeting expectations. Examples of under-performance included long lead times to complete procurement activity, lack of prioritization, poor communication and customer service provided to departments, and lack of standardization in the process. Several management staff noted they have specific concerns related to legal requirements for contracts such as ensuring authorized vendor personnel are the signatories and that insurance requirements are met.

#### **Interactions with Customer Departments**

Purchasing staff report working with customer departments throughout the purchasing process. The most frequent interaction occurs when Purchasing receives a requisition. Additional interactions take place as part of the solicitation process, and include providing assistance to customer departments in developing specifications and solicitation documents, drafting the contract, managing the formal solicitation process, and providing guidance to customer departments on the purchasing regulations. While the customer departments are responsible for developing the specification, Purchasing may provide guidance based on past experience, online research, or through cooperative discussions. Purchasing staff report that there are no formal tools or templates to guide the specification development process. Purchasing staff also provide periodic training on the purchasing process and guidelines to internal customers responsible for performing procurement activities.

#### **Key Purchasing Responsibilities**

Key purchasing responsibilities for customer department staff include conducting all purchasing activity for procurements below \$3,000, developing specifications, assisting in solicitation development, participating in award decisions, conducting market research, developing cost estimates and performance cost/price analysis, and contract administration. Department staff indicated that they are responsible for conducting a large portion of procurement activities for their departments and that Purchasing only provides assistance on large dollar value contracts. Several staff also noted that the departments are responsible for all vendor management activities once the contract has been awarded.

#### **Interactions with Purchasing**

Department staff report interacting with Purchasing throughout the process for all items over \$3,000. In some cases there may be daily communication between the customer department and Purchasing regarding requisitions, specifications, and solicitations in process. Interactions with Purchasing begin with the requisition at which point Purchasing staff reviews the submitted information and indicates where more information is needed. Several department staff noted that Purchasing does not always provide guidance on why a requisition has been rejected and that in many cases there is a delay between when the requisition is submitted and when Purchasing alerts the department that more information is needed. Staff

noted that the level of communication typically increases once the solicitation documents are being developed and while the solicitation is active.

All department staff report being responsible for developing specifications. In some cases, department staff may also be responsible for drafting solicitation documents, although this varied by department. Department staff noted that Purchasing may ask questions about the specifications or request more information when developing the solicitation, but does not provide guidance on the modifications needed. Several staff stated the guidance provided by Purchasing is inconsistent at times and noted that there have been instances where Purchasing staff question the item to be purchased.

### **Procurement Planning Activities**

Several department staff indicated that they are responsible for conducting procurement planning activities such as market research, specification development, developing the independent cost estimate, researching best practices, and researching previous purchases by the City. Other department staff noted that they are involved in determining whether there are cooperative purchase agreements in place at other jurisdictions they may be able to use instead of conducting a full solicitation. While department staff are responsible for completing the independent cost estimate, most noted that this activity occurs during the budget process and that the budgeted value is often used for conducting a cost/price analysis when making contract award decisions.

Department staff reported having some involvement in determining the type of contract to be awarded in collaboration with Purchasing. The method of procurement is determined based on the dollar threshold and by Purchasing.

Each department has a general idea of what the upcoming requirements are for their department, but there is limited information available to them on how their requisitions are being prioritized within Purchasing according to the department staff interviewed. No staff members were aware of a formal process for planning procurement activity throughout the year and several staff noted that much of the purchasing schedule seems to be based around year-end activity.

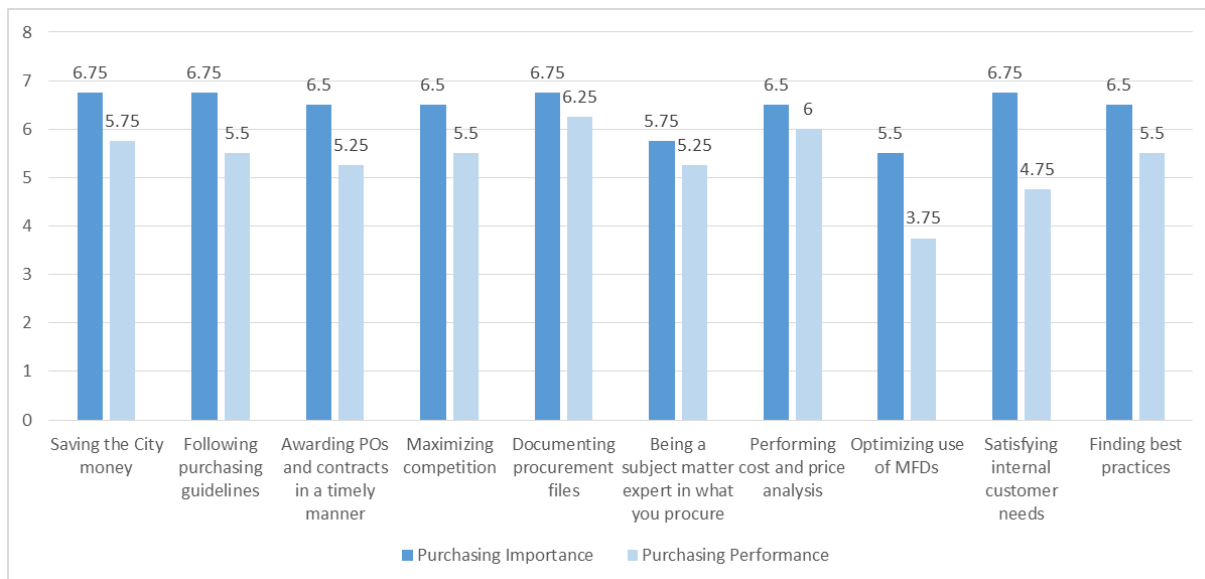
All interviewees were given a list of ten (10) statements relating to Purchasing performance. For each statement, interviewees were asked to give a rating score using a scale of 1 – 7 in which 1=low and 7=high:

- The importance of the area to effective purchasing within the City; and
- How satisfied they were with the current performance of the City's Purchasing function

The results are broken out between Purchasing staff and customer department staff in the Comparison of Purchasing and Department Staff sections below.

### **Purchasing Staff**

The average scores given by the Purchasing staff for the importance and performance of each statement are shown in the following table. The data indicates the average score across the four Purchasing staff interviews including one staff member from the storeroom.



All areas were rated between 5.5 and 6.75 in terms of importance. Saving the City money, following purchasing guidelines, documenting procurement files, and satisfying internal customer needs were seen as the most important areas. Satisfying internal customer needs was the area Purchasing staff identified as needing the most improvement with a 2 point difference between the importance rating and level of performance rating. Additional areas with the greatest differences between the level of importance and level of performance were:

- Optimizing use of MFDs (1.75 point difference)
- Following purchasing guidelines (1.25 point difference)
- Awarding POs and contracts in a timely manner (1.25 point difference)

The narrative description and comparison with customer department scores for each area in the Comparison of Purchasing and Department Staff sections on the next pages.

### Customer Department Staff

The average scores given by customer department staff for the importance and performance of each statement are shown in the following table. The data indicates the average score from the customer groups interviewed. In some cases, customers did not provide a numeric response, these zero values have been removed for purposes of this analysis.





Customer department staff rated satisfying internal customer needs as having the highest importance, followed by documenting procurement files, awarding POs and contracts in a timely manner, finding best practices, and following purchasing guidelines. Customer department staff did not feel it is important for buyers to be subject matter experts in what they procure or to optimize the use of MFDs. The only area with a high performance rating from customer department staff was documenting procurement files; although staff also felt Purchasing performed well in terms of following purchasing guidelines.

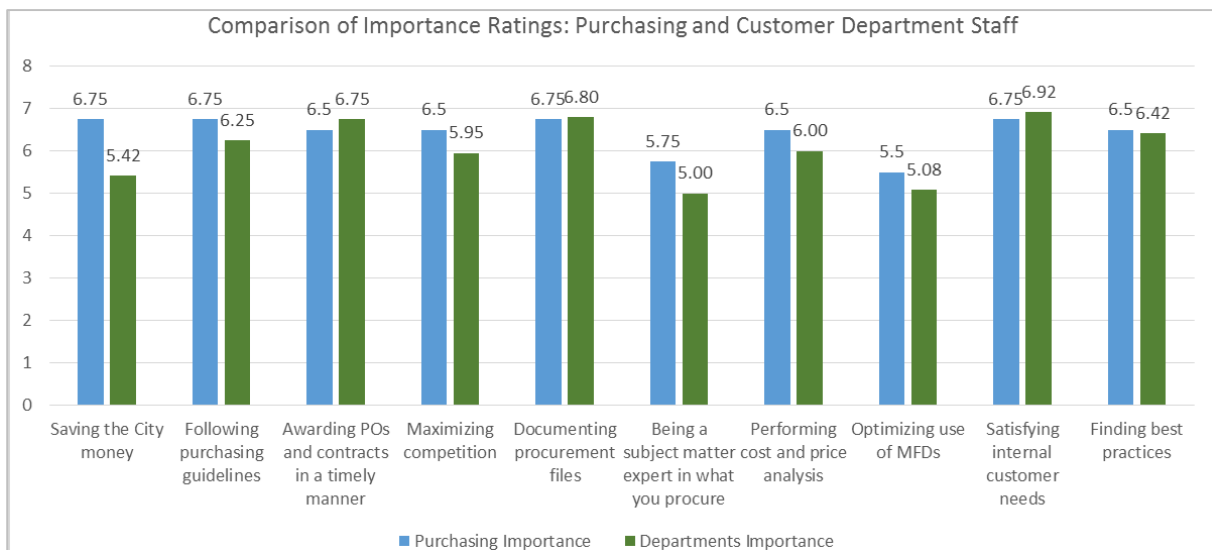
The areas with the largest gaps between how customer department staff rated the level of importance and the level of performance were:

- Satisfying internal customer needs (3.96 point difference)
- Awarding POs and contracts in a timely manner (3.75 point difference)
- Performing cost and price analysis (2.50 point difference)
- Finding best practices (2.42 point difference)

The narrative description and comparison with Purchasing scores for each area is provided in the Comparison of Purchasing and Department Staff sections that follow.

### Comparison of Purchasing and Customer Department Level of Importance

The following chart combines the data from Purchasing staff and customer department staff to compare importance ratings in each of the statements.



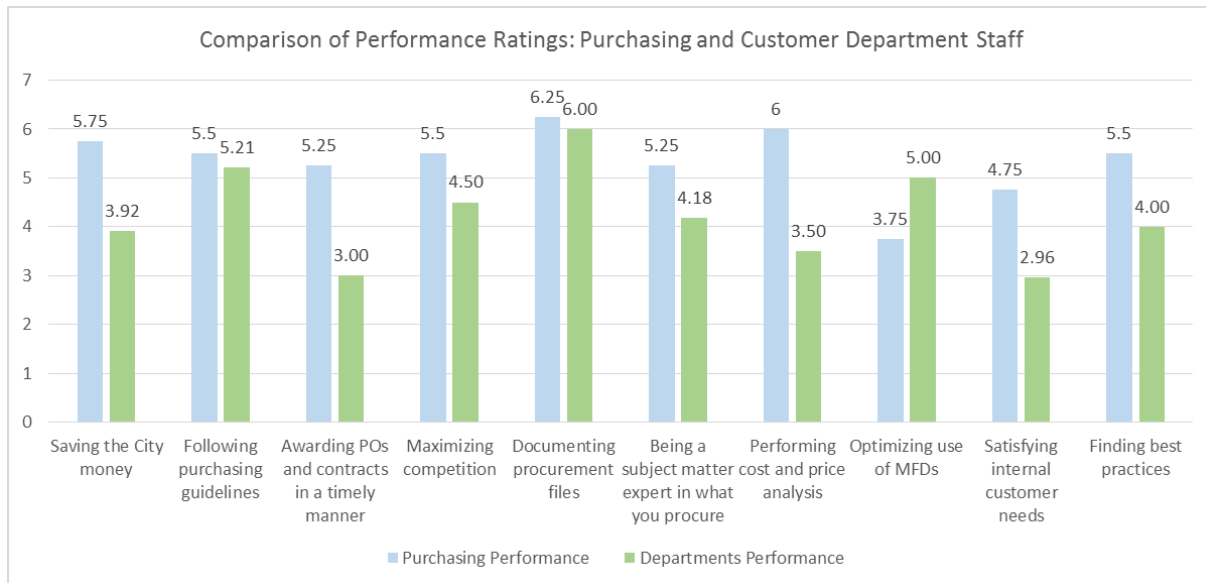
The comparison of importance scores assigned by Purchasing staff and customer department staff indicates relative agreement between Purchasing and customer departments in nine of the ten areas. In the area of saving the city money, Purchasing staff indicated the area was more important than indicated by customer department staff.

The areas with the largest differences in importance scores between Purchasing and customer departments were:

- Saving the city money (1.33 point difference)
- Being a subject matter expert in what they procure (0.75 point difference)
- Maximizing Competition (0.55 point difference)
- Following purchasing guidelines (0.50 point difference)
- Performing cost and price analysis (0.50 point difference)

## Comparison of Purchasing and Customer Department Level of Performance

The chart on the following page combines the data from Purchasing staff and customer department staff to compare performance ratings in each of the statements.



The comparison of performance scores assigned by Purchasing staff and customer department staff indicates customer departments rated the City's performance lower than Purchasing in nine of the ten areas. The areas with the largest differences in scores between Purchasing and customer departments were performing cost and price analysis and awarding POs and contracts in a timely manner. Other areas with large differences in scores were:

- Saving the city money (1.83 point difference)
- Satisfying internal customer needs (1.79 point difference)
- Finding best practices (1.50 point difference)
- Being a subject matter expert in what you procure (1.07 point difference)
- Maximizing competition (1.00 point difference)

Customer department staff did rate the City's performance in optimizing the use of MFDs higher than Purchasing staff.

### Purchasing Requisitions Backlog

As a result of the initial research and interviews with Purchasing staff and internal customers, there is a high number of requisition that are awaiting action. As of early July, there were at least 25 Public Work procurements; and 15 critical renewal contracts for Parks and Recreation behind schedule, and a lack of knowledge as to the lead time to complete each procurement. The Purchasing Division have been short of a Purchasing Manager and staff hampering effective customer service and meeting cycle time expectation. Failure to ensure that these requisitions and contracts are fulfilled and extended/modified, respectively, will cause procurements to be further delayed and customer service and confidence in the purchasing system will further denigrate in the future. Actions recommended to be taken in early July were as follows:

- A. Fulfill backlog of requisitions
  - 1) Catalog all currently active requisitions (as of today there are 79)
  - 2) Establish a lead time and priority for each, with user participation
  - 3) Evaluate current purchasing staff workload
  - 4) Assign responsibilities accordingly

- 5) Take advantage of the offer for assistance from Parks and Recreation and deploy Finance department assistance
- B. Determine requisition plans for next 90 days and Fulfillment Plan
  - 1) Work with users on plans to submit requisitions
  - 2) Catalog those requisitions, and prioritize each
  - 3) Create a capacity plan for the existing staff and how departmental staff can assist in purchasing activities
- C. Publish status reports on all open requisitions in a formal manner
  - 1) Use existing requisition (RQS) system, update status on a daily basis
  - 2) Publish results on a weekly basis
  - 3) Hold status meetings with key customers on a weekly basis

These three steps should be part of standard work for Purchasing moving forward.

#### ***Performance Indicator: Saving the City Money***

Purchasing staff rate the City's performance in saving money somewhat highly at 5.75. Several staff noted that while there is a high level of scrutiny in this area, the City does not take proactive steps to leverage purchases to obtain the best pricing on some larger contracts.

Customer department staff gave a much lower score in this area at only 3.92, 1.83 points below the Purchasing staff rating. Multiple staff members indicated the low score was in part due to non-purchase costs associated with a lack of efficiency in the purchasing system while others noted that they are often unable to obtain the best price for an item because they are required to purchase from an existing Master Agreement or obtain from the storeroom.

#### ***Performance Indicator: Following Purchasing Guidelines***

Both Purchasing staff and customer department staff gave similar performance ratings for how well the City follows purchasing guidelines, with Purchasing rating performance at a 5.5 and customer departments rating performance at 5.21; a difference of only 0.29 points. Several Purchasing staff noted that some of the performance issues are related to a lack of communication and Citywide knowledge of what the policy is, while customer department staff stated that there is variation in the purchasing process at times.

#### ***Performance Indicator: Awarding POs and Contracts in a Timely Manner***

This performance indicator had the second largest gap between how Purchasing staff and customer department staff rated the City's performance. While Purchasing staff indicated that there are some issues in processing requisitions and awarding POs in a timely manner, they gave this area an average rating of 5.25. Customer department staff gave this area one of the lowest scores of the ten areas, with an average rating of only 3.00, 2.25 points below the Purchasing staff rating. Customer departments stated they are often unaware of the status of requisitions once they are sent to Purchasing and that in some cases requisitions can sit in the queue for long periods of time before they are worked on. Several customer department staff noted there may be inadequate staff to manage the volume of requisitions.

#### ***Performance Indicator: Maximizing Competition***

Purchasing staff rate the City's performance in maximizing competition somewhat above average at 5.25. Staff noted that there is a high degree of competition obtained when using competitive procurement methods, but did indicate a practice of piggybacking off contracts awarded by other jurisdictions wherever possible. Customer department staff gave this area a lower rating at 4.50, 1.00 point below the Purchasing staff rating. Several customer department staff indicated that it is the departments that are responsible for researching potential sources and identifying the level of competition while others noted that there are times when only one bid is received in response to a solicitation.

#### ***Performance Indicator: Documenting Procurement Files***

Both Purchasing staff and customer department staff rated this area highly. The average score for Purchasing staff in this area was 6.25, while the average score for customer department staff was 6, only 0.25 points lower than Purchasing. All staff indicated that contract files are well documented and any needed information is easily obtainable.

#### ***Performance Indicator: Being a Subject Matter Expert in What You Procure***

While Purchasing staff rated this area somewhat above average at 5.25, customer department staff only gave a 4.18 average rating for how well the City provides subject matter expertise in what is being procured, 1.07 points below the Purchasing staff rating. Purchasing staff noted that there is not much specialization based on category and that in some cases, subject matter expertise is lacking. In general, Purchasing staff indicated there is enough knowledge of what is being procured to manage the process. Several customer department staff noted that it is often the responsibility of the departments to provide subject matter expertise and that the overall level of expertise has been inconsistent over time.

#### ***Performance Indicator: Performing Cost and Price Analysis***

This performance indicator had the largest gap between how Purchasing staff and customer department staff rated the City's performance. Purchasing staff gave this area an average rating of 6 and noted this is a requirement for all procurements above \$30,000. Customer department staff gave this area an average rating of 3.50, 2.50 points below the Purchasing staff rating, and stated that the departments are largely responsible for completing this activity.

#### ***Performance Indicator: Optimizing Use of MFDs***

Optimizing use of MFDs was the one measure customer departments rated higher in performance than Purchasing. Purchasing staff gave this area a 3.75 rating while customer department staff gave this area a 5.00 rating, 1.25 points higher than Purchasing. All staff members noted that the MFD initiative is new to the City and, to date, has not been fully implemented.

#### ***Performance Indicator: Satisfying Internal Customer Needs***

Purchasing rated performance in satisfying internal customer needs low at only 4.75. There were few comments in this area, although Purchasing staff did note that the perceived level of customer satisfaction may vary somewhat by department. Customer department staff rated performance in this area lower, at only 2.96, 1.79 points below the Purchasing staff rating and the lowest average performance rating by department staff for any of the performance indicators. Key reasons for the low rating cited by department staff included lack of customer service standards and responsiveness, concerns with timeliness, changing requirements, lack of insight into requisition status, and the lack of collaboration in the process.

#### ***Performance Indicator: Finding Best Practices***

Purchasing staff indicated that an effort is made to find best practices for procuring specific commodities and gave this area an average rating of 5.5. Customer department staff indicated that the current process is focused on compliance with the purchasing Code rather than identifying and implementing best practices and gave this area an average rating of 4.00, 1.50 points below the Purchasing staff rating. Department staff also listed inconsistency in the current process as a reason for the low rating.

#### ***Alignment with Departmental Objectives***

Feedback from departmental users during the interview stage of this study indicated the need for Purchasing to plan for assisting the Departments in meeting their annual objectives. These objectives and measures reflected below have been included in the FY2016 budget.

The required discussion between Purchasing and the Departments did not occur on the specific plans that Purchasing must develop to ensure that the stated objectives and measures can be reasonably

accomplished. The link to Purchasing can be exemplified by reviewing a set of objectives of each division and how the objective can be addressed by specific actions. See the chart below:

| Department Measures and Short term Objectives – Tie to Purchasing |   |            |   |
|---|---|------------|---|
| Department  | Objectives  | Measure    | Impact on Purchasing Role   |
| Accounting and Control Division                                   | Number of days to process and issue payments to vendors   | 4          | Ensure that the supplier is "in the system" and the PO is properly released with line items and pricing |
| Accounting and Control Division                                   | Percent of P-card holders placed in suspension for non-compliance                                     | 0%         | P-card training and Purchasing training for purchases over \$3,000                                      |
| Construction Division   | Complete IFB #30-14   | Q2 FY 2016 | Conduct Procurement planning and task scheduling  |
| Construction Division   | Complete IFB #28-13   | Q2 FY 2016 | Conduct Procurement planning and task scheduling  |
| Construction Division   | Percent of CIP projects completed each fiscal year on schedule finalized at the start of construction | 95%        | Conduct Procurement planning and task scheduling  |
| Engineering Division  | Percent of current fiscal year funding for CIP rehabilitation projects awarded                        | 90%        | Conduct Procurement planning and task scheduling  |
| Engineering Division  | Percent of CIP construction projects awarded that were funded in the current fiscal year              | 100%       | Conduct Procurement planning and task scheduling  |
| Recreation Facilities Division                                    | Complete replacement of Glenview Mansion exterior shutters  | Q2 FY 2016 | Conduct Procurement planning and task scheduling  |
| Recreation Facilities Division                                    | Complete FY2016 portion of Swim and Fitness Center South Pool Repairs CIP project                     | Q2 FY 2016 | Conduct Procurement planning and task scheduling  |
| Recreation Facilities Division                                    | Refinish exhibit room floor at Croydon Creek Nature Center  | Q2 FY 2016 | Conduct Procurement planning and task scheduling  |
| Capital Improvement Projects Overall                              | 70 projects across 5 departments worth \$63.5 Million   | FY 2016    | Conduct Prioritization and procurement planning   |

On an annual basis, as part of the budget cycle, Purchasing and the user departments should set purchasing-oriented objectives and measures together. Each department/division and Purchasing should both share the same objectives to ensure the right level of prioritization and management.

#### **Recommendation 26: Develop Service Level Agreements**

Purchasing should develop a Service Level Agreement (SLA) with each internal customer using a standard format (See appendix 3). The objective of the SLA is to establish expectations from each customer and measures to calculate performance. This SLA should be updated annually in concert with the budget cycle.

#### **Recommendation 27: Develop Targeted Improvement Plans**

In addition to developing common program measures as discussed in the organizational structures and Measures section of this report, Purchasing should establish two continuous improvement teams to address ratings of differences in Purchasing and user department's gaps in performance. Both of the following areas should be targeted for improvement in 12-18 months:

- Saving the City Money
- Fulfilling Internal Customer Needs

## **4.2 Feedback from Supplier Survey**

### **Supplier Survey**

Calyptus conducted a targeted supplier survey sent to ten (10) of the City's suppliers. The names and contact information for the suppliers was provided by the Purchasing Division. The first request for survey participation was sent on September 1, 2015. The request described the purpose of the survey and the confidentiality of the responses provided. The request asked that suppliers provide their response by September 11, 2015. A reminder email was sent to all suppliers on September 10, 2015. Overall, three (3) suppliers responded to the survey request.

The 12-page survey consisted of 70 questions grouped into topic areas. The topic areas included in the survey were: general product/service information, use of value engineering, cost, supplier performance, procurement process improvement, communication, City purchasing strategy, and training. The survey utilized a mix of yes/no questions, qualitative responses, and scaled responses. The scaled responses asked respondents to rate their level of agreement with statements presented on a scale of strongly disagree, somewhat disagree, somewhat agree, agree, and strongly agree. A copy of the survey sent to suppliers is included in Appendix 4.

### **Survey Results**

The summary results of the supplier survey responses are detailed below by section of the survey.

#### **General Product/Service Information**

The three survey respondents provide the City with products and services related to temporary labor, maintenance, repair, and operations products, and lawn and vegetation control products and services. This section of the survey asked respondents to rate statements related to the specialization and customization of their products/services, the level that the City seeks supplier input for specifications, and the accuracy of specifications to adequately price the product/service requested. Overall the suppliers agreed that the products they supply to the City are specialized and customized to meet the City's requirements. Additionally, suppliers agreed that the City's specifications are accurate enough for the suppliers to adequately price their product/service. The one area that had a negative response was the statement related to the City regularly seeking suppliers input in defining product/service specifications. One respondent disagreed with that statement. The suppliers also noted that there are further products and services they would like to provide the City with.

#### **Use of Value Engineering**

This section of the survey asked suppliers to respond to five statements related to the City's use of value engineering. The statements were related to the way in which the City interacts with suppliers to identify

areas of cost for analysis. There were more disagree responses in this section of the survey than any other section. Survey respondents noted that the City does not help suppliers identify ways to reduce the costs of their product/service (one respondent), has not reviewed the functions of the company's products/services to identify and remove nonessential functions (two respondents), and has not adopted measures to reduce future costs (one respondent).

### *Cost*

The cost category had four statements related to purchasing planning, cost reduction, costs savings, and payment terms. All respondents agreed that the City seeks supplier involvement in purchasing plans and future requirements as well as asking supplier assistance in reducing the City's total costs. One supplier reported that the City is not receptive to cost saving ideas from their company and two suppliers reported that the City's payment terms have no impact on the prices that they charge. Two suppliers provided ideas on how they could assist the City in reducing its total purchase costs. The ideas provided were:

- Adding products to current purchases to increase rebates and reduce total cost of the purchase
- Keeping your pricing margins the same for five years
- Pointing out other areas of products not being utilized by the City. Creating "market basket" pricing for frequently purchased products.

### *Supplier Performance*

The supplier performance section had four statements related to priorities, expectations, specific information related to dates of product/service provision, and lead times for responding to requirements. All respondents agreed positively with the statements presented. Suppliers noted that one area for improvement related to presenting expectations to suppliers is to use email rather than phone communications. Additionally, one supplier noted that the City can improve the lead times and level of responsiveness of their company by emailing the required dates of the product/service to the suppliers.

The supplier performance section further asked suppliers to rate eight statements related to how the City should measure supplier performance. The choices listed were: availability of products/services, price of products/services, quality of products/services, ability to customize products/services, ability to react to changes in amounts or specifications, delivery time, ability to react to schedule changes, and customer service. Overall the suppliers agreed that the following areas should be used by the City to measure supplier performance:

- Quality of products/services (2 suppliers strongly agreed, 1 supplier agreed)
- Ability to customize products services (2 suppliers strongly agreed, 1 supplier agreed)
- Ability to react to changes in amounts or specifications (2 suppliers strongly agreed, 1 supplier agreed)
- Delivery time (2 suppliers strongly agreed, 1 supplier agreed)
- Ability to react to schedule changes (2 suppliers strongly agreed, 1 supplier agreed)
- Customer service (2 suppliers strongly agreed, 1 supplier agreed)

Two suppliers disagreed with the statement the "City recognizes, rewards, and encourages outstanding performance." Further suppliers noted that no matter how well the supplier performs the City always goes with the lowest bid and the only reward method is to increase purchases.

### *Procurement Process Improvement*

The procurement process improvement section asked suppliers to rate four statements in the areas of how the City has organized its purchasing resources, ease of doing business with the City, fairness in purchasing with the City, and seeking supplier input in improving purchasing processes. One supplier noted that the City is not easier to do business with compared to its other customers. Additionally, two suppliers noted that the City does not seek their input in improving its purchasing process.



This section also reviewed the specific purchasing processes related to small purchases, competitive sealed bids, and competitive sealed proposals. The suppliers agreed that the City's process related to small purchases is effective and provides suppliers with an opportunity to submit price quotes and bid. There was a larger range of responses related to sealed bids and sealed proposals. The areas that suppliers noted for improvement were:

- Providing clear information on pre-offer conferences
- Notifying bidders of addenda
- Including delivery or performance schedule information
- Making solicitation schedules available to all bidders
- Making information on deadlines for submissions available to all bidders.

### *Communication*

Overall, responses to the communication section of the survey were mostly positive. The suppliers were asked to rate the City in three areas related to communications; effectiveness of communications, timeliness of communications, and standardization of communications across multiple City staff. Suppliers agreed that their communications with the City were effective and timely. One supplier disagreed with the statement, "If you deal with more than one person at the City, are your interactions consistent and standard from person to person." All suppliers characterized their relationship with the City as win-win.

### *City Purchasing Strategy*

The suppliers were asked to rate three areas related to purchasing strategy. All suppliers agreed with statements related to the appropriateness of the City's terms and conditions as well as adequate supplier performance management. One supplier disagreed with the statement, "Purchasing strategy is beneficial for the City and also your company." One supplier noted that they work with another government agency with a similar purchasing policy. Additionally, suppliers noted that they have other clients exhibiting best practices in procurement. The supplier did not provide additional information on the practices of its other clients.

### *Training*

The suppliers did not provide any comments to the training section of the survey.

### Summary

Overall, the three respondents provided the City with important insight into its procurement processes from the supplier's point of view. There were several areas where the suppliers provided positive feedback on their interactions and experience with the City. There were key areas identified by the suppliers that the City could consider incorporating into supplier related improvement plans. These areas were:

- Partnering with suppliers to identify areas for cost reduction
- Updating supplier performance measures and communicating updated measures to suppliers
- Ensuring that procurement process steps noted in the procurement process improvement section are addressed and monitored
- Regularly checking in with suppliers for input on improving purchasing processes and experience.



## Section 5: Performance Measures

### 5.1 Current Purchasing Measures

#### City Management Staff Interviews

##### Performance Measures

Purchasing is currently being measured on the number of valid protests, number of training events conducted, and the number of minority, female, and disabled vendor events conducted. Recommendations for potential performance measures included:

- Cycle time to complete procurements
- Vendor performance and contract claims
- Use of local business where possible
- Customer service and responsiveness
- Compliance with regulations
- Contract administration and change orders

While most management staff felt cycle time would be an appropriate performance measure, many indicated concerns with how cycle time is defined, noting that purchasing does not control all aspects of the process, such as Risk Management and Legal review of solicitation documents and contracts. Management staff were also divided on whether or not cost savings should be considered as a performance measure for Purchasing with several staff indicating concern that a focus on cost could result in awarding to poor quality vendors.

#### Purchasing Staff

##### Key Performance Measures for Purchasing

The number of successful protests, cost savings, cycle time, and vendor performance are the current performance measures reported as being tracked by Purchasing. Additional recommended performance measures include accuracy and productivity.

#### User Staff

##### Key Performance Measures for Purchasing

Timeliness and customer satisfaction are the two most important measures of purchasing performance according to the department staff interviewed. Department staff also suggested volume of work, complexity of work, compliance, and cost savings as potential measures to evaluate purchasing effectiveness.

#### Current Purchasing Measures

We were not able to find a consistent set of measures being reported over the period 2013-2015 due to the lack of purchasing manager files and records in this area. Current Purchasing Measures for FY2016 are noted below:

| Performance Measures   | Adopted FY 2016 |
|--|-----------------|
| Percent of formal solicitations awarded without valid protest (Target: > 90%)  | 90%             |
| Percent of cost savings/ avoidance on competitive processes (Target: > 3%)   | 3%              |
| Number of minority, female, disabled (MFD) purchasing program events attended/ conducted/ hosted (Target: 6 or more) | 6               |
| Number of purchasing-related training events for internal staff and/or the business community (Target: 5 or more)    | 5               |

These objectives for Purchasing were included in the FY2016 budget:

| Short Term Objective  | Planned Completion |
|---|--------------------|
| Fully implement minority, female, disabled (MFD) outreach program | Q4 FY 2016         |
| Acquire and implement contract management software system         | Q4 FY 2016         |
| Provide Mayor and Council with first Procurement Annual Report    | Q4 FY 2016         |
| Provide information to consultant performing procurement study    | Q4 FY 2016         |

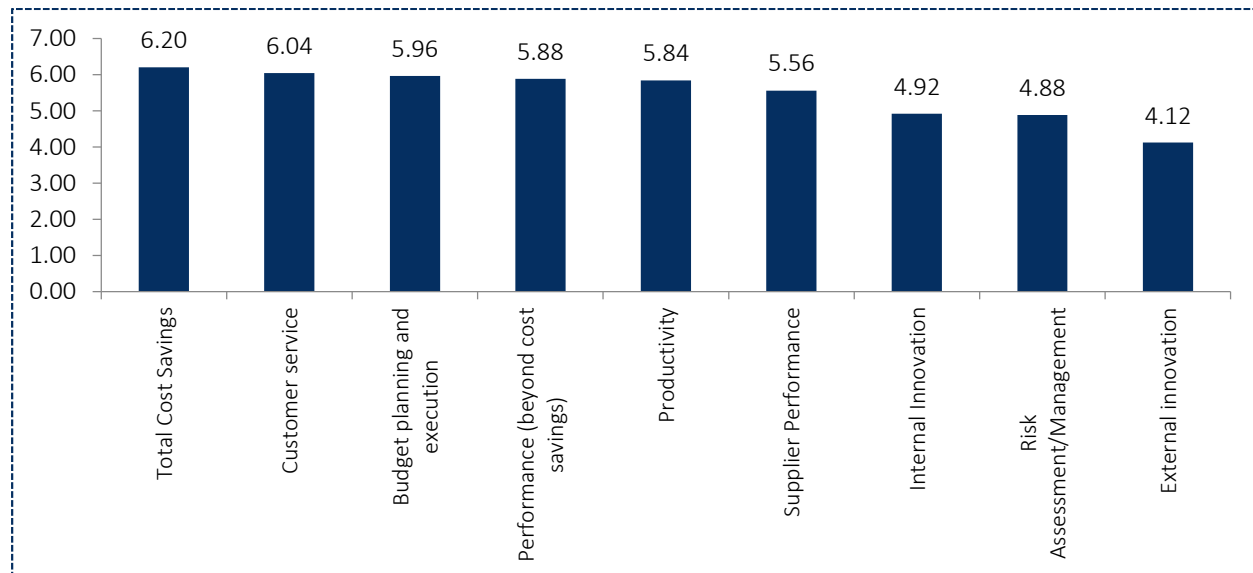
### **Benchmarking and Best Practices Input**

Benchmarking showed that use of metrics varies greatly between the public and private sectors.

The private sector has metrics for purchasing that are much more elaborate and comprehensive. Best-in-class organizations typically use the following base metrics:

- Cost Savings
- Customer Satisfaction
- Procurement or Supply Chain Cycle Time
- Responsiveness
- Minority / Small Business Participation/Spend
- Percent Spend Under Contracts
- Compliance Levels
- On-Time Delivery Performance
- Quality Performance

One study shows the importance of various purchasing measures to senior executives. Among the top metrics are cost savings, customer service, budget planning, and performance and productivity measures, as noted below:



Best practices show that metrics tie the organization's objectives to the overall organization mission. The majority of companies studied identify and implement a cost savings metric, measure spend under management, and track provider performance.

The top key performance indicators (KPIs) for best-in-class, industry average, and laggards are noted in the following chart (percentages indicate the percent of companies adopting the specific KPI)

| Top Financial KPIs to Measure Procurement Performance | Best-In-Class | Industry Average | Laggards |
|---|---------------|------------------|----------|
| Identified Savings                                    | 77%           | 76%              | 67%      |
| Implemented Savings                                   | 73%           | 57%              | 39%      |
| Cost Avoidance  | 66%           | 58%              | 56%      |
| Spend Under Management                                | 62%           | 71%              | 56%      |
| Supplier Performance                                  | 61%           | N/A              | N/A      |
| Procurement Return on Investment (ROI)                | N/A           | 57%              | 41%      |

*Aberdeen Group*

Benchmarking indicates that cost saving is the top metric used by organizations across industries and sectors. Cost savings can be defined as the aggregate amount of money saved by reducing costs from one year to the next. This metric measures the procurement department's lump sum contribution to the financial success of the organization. One of the most important practices in demonstrating Purchasing's value to the organization is tracking and reporting cost savings.

County-based organizations reported the following average cost savings:

|  | Median | Maximum |
|--|--------|---------|
| Cost avoidance savings as a percent of total spend         | 1.24%  | 4.17%   |
| Cost reduction savings as a percent of total spend         | 1.75%  | 5.36%   |
| Rebates, discounts, incentives as a percent of total spend | 0.33%  | 1.41%   |

*CCG Research*

Cost savings goals vary among organizations even within sectors. Best practices indicate a goal of 5-8% for cost savings, while laggards only save 1-2% per year on purchases as noted in the following chart:

|                   | Best-In-Class | Industry Average | Laggards |
|-------------------|---------------|------------------|----------|
| Cost Savings/Year | 5-8%          | 4-6%             | 2-3%     |

*Aberdeen Group*

Some benchmark partners shared their measures and target goals in areas of effectiveness, efficiency and workload.

|               | Objective   | Measure(s)                       | Target        |
|---------------|---|----------------------------------|---------------|
| Effectiveness | Maximize procurement compliance rate with procurement rules           | % deficient against requirements | 98%           |
| Efficiency    | Reduce purchase costs   | % savings                        | 5% reduction  |
|               | Reduce the administrative costs of planning and completing a purchase | % reduction in transaction costs | 5% reduction  |
| Workload      | Reduce requisition to contract cycle time                             | % reduction in days              | 20% reduction |

#### *Data from National Institute of Government Purchasing (NIGP) and Chartered Institute of Procurement and Supply (CIPS)*

A joint study conducted by NIGP and CIPS recommended the consideration of the following minimum metrics by public procurement agencies. We have noted potential measures applicable to the City of Rockville by asterisk (\*)

#### **\*I. Cost savings/ cost avoidance (all)**

- Realized/ implemented savings as a percent of identified savings
- Level of savings due to new contract/supplier arrangements or purchasing initiatives

- c. Value of negotiated additional benefits
  - d. Cost reduction due to using alternative goods or services
  - e. Value of improved warranties
  - f. Reduced stock holdings and improved payment terms
  - g. Savings due to improved waste management
  - h. Reduction in demand for a good or service (i.e. use of capacity metrics)
  - i. Percent of spend under management
  - j. Refunds, credit, and/or rebate payments made by vendors as a result of a savings project (e.g. P-card rebate programs)
- \*II. Supplier and industry development**
- a. \*Potential local suppliers identified (including MFD)
  - b. \*Number of new sources of particular goods and services
  - c. Number of firms involved in local supplier development programs
- \*III. Supplier performance**
- a. \*Include a range of cost targets
  - b. \*Gauge whether contract requirements, service, and quality requirements are being met through the use of a consistently applied evaluation procedure
- \*IV. Efficiency of internal procurement systems and processes**
- a. \*Volume of procurement spend transacted electronically or through other transaction methods like P-cards
  - b. \*Volume of transactions transacted through aggregated or standing-offer arrangements
  - c. Reduction in transaction and inventory management costs and distribution costs
  - d. \*Internal customer satisfaction with delegation of purchasing processes and service levels
  - e. \*Response time between requisition submission and purchase order placement
  - f. \*Procurement cycle time from the beginning of a sourcing process to the time that a contract is executed
  - g. Simplicity, convenience, and effectiveness of procurement decision making and authority lines, systems, and processes
  - h. Procurement operating costs as a percentage of managed spend
- \*V. Procurement professional development and employee retention**
- a. \*Number of full time employees with a professional certification (e.g. CPPO, CPPB)
  - b. \*Number of employees in management that hold a professional certification (e.g. CPPO, CPPB)
  - c. \*Amount of spending per full time employee for professional development and training (e.g. training classes for CEU's, enrollment in a college degree program)
  - d. \*Average number of hours per full time employee spent on professional development and training
  - e. Total number of employees retained year-on-year
  - f. Total number of new employees as a percentage of total employees

## ***5.2 Recommended Metrics***

Based on best practice studies, benchmarking research and stakeholder feedback, Calyptus recommends that Purchasing create a scorecard that includes five (5) key performance indicators, focusing on

operations, financial, human resource development, and quality. The following is the recommended metrics with potential goals or targets:

**Recommendation 28: Establish Five Key Purchasing Measures**

We recommend that the City implement measures for Purchasing in the areas of cost savings, cycle time, customer satisfaction, compliance, and percent spend with MFD firms. This fits with best practice of having only 5-7 measures.

Further breakout of measures is noted below:

| Best Practice Indicator (BPI)   | Metric   | Goal/Target                    |
|---|--|--------------------------------|
| Provide cost savings to City  | Total cost savings achieved year to year   | 5%                             |
| Provide quality and timely advice and contracts which deliver quality goods and services                              | Purchasing cycle time  | RFP < 90 days<br>IFB < 60 days |
| Communicate effectively and ensure productive stakeholder and customer relations                                      | Customer Satisfaction Questionnaire (Score)<br><i>(Specific questions on visibility and helpfulness of Purchasing and Contracts Compliance team)</i> | 90%                            |
| Ensure compliance with sound procurement practices  | % of files with "Perfect" documentation  | 90%                            |
| Procure goods and services in a manner that encourages competition, contract coverage and sustainable economic growth | % spend with MFD Enterprises   | Continuous Improvement         |

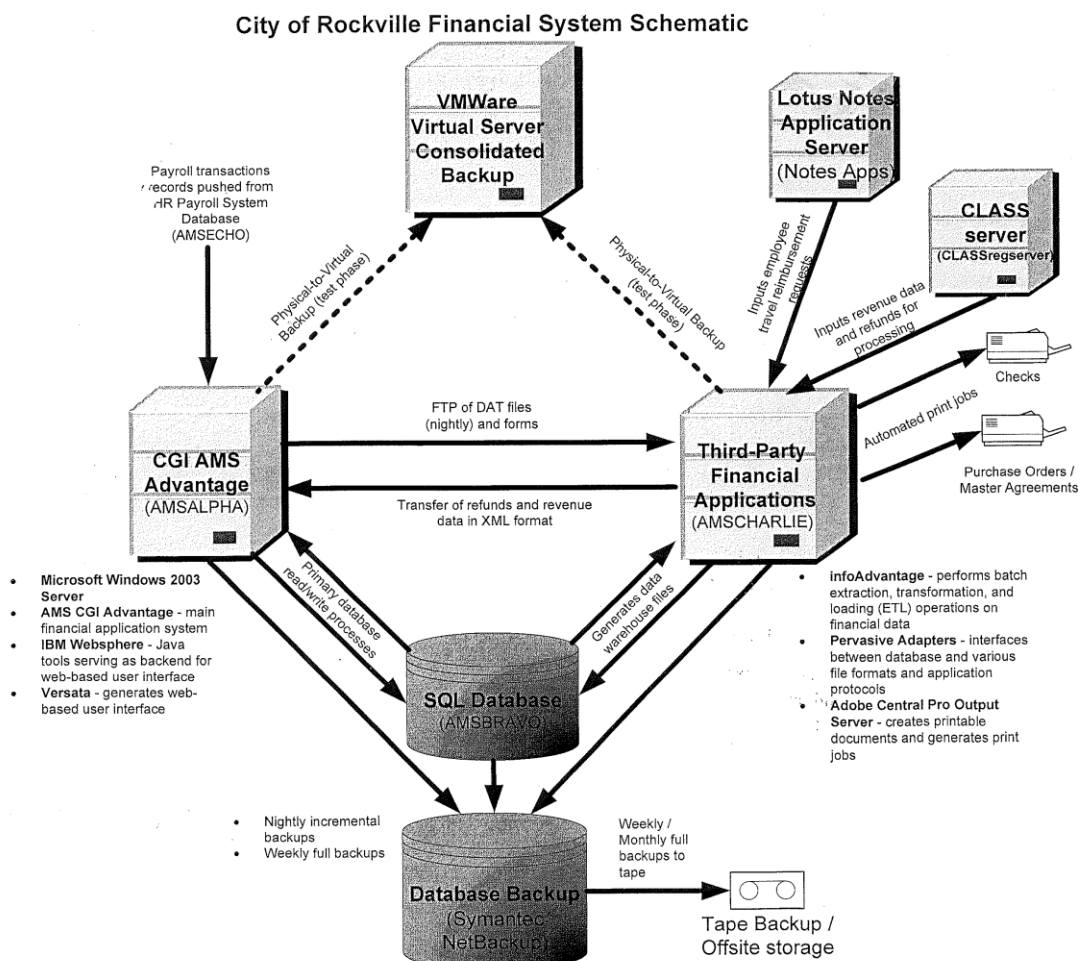
Recommended measures will require data collection, monitoring, analysis, and corrective actions.

## Section 6: Purchasing Data

### 6.1 IT System Assessment

#### System Overview and Usage

The City of Rockville is currently using CGI-AMS as their overarching financial management system as shown in the following schematic:



The City uses CGI-AMS to enter purchase requisitions, to have these requisitions approved, to create purchase orders and master agreements, and to track payments other than those made using a p-card. Staff in all departments have access to the tool to create, approve, and view the high-level status of requisitions. The Purchasing Division has the ability to create and approve purchase orders and master agreements. Required documents such as specifications can be attached to the requisition within the system. CGI-AMS is also able to track payments made against purchase orders and master agreements as well as GAX payments which are not associated with purchase orders or master agreements. The system is not presently used to manage solicitations, conduct vendor self-service activities such as allowing vendors to view and respond to requests for quotes directly, or for contract management activities such as tracking purchase orders to underlying contracts and monitoring vendor performance. The table on the following page indicates those key procurement activities taking place within the system and those that are managed manually.

## Procurement Activities Conducted with CGI-AMS

- Requisition entry and department approval
- Submittal of requisition to Purchasing
- Verification of funding availability
- Purchase order and master agreement creation
- Payment against purchase orders and master agreements
- GAX payments

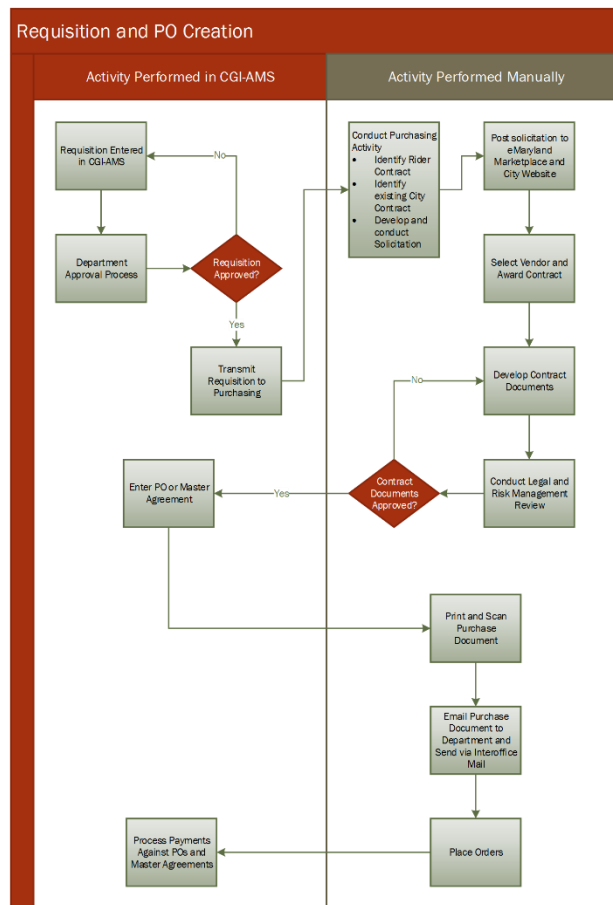
## Procurement Activities Conducted Manually

- Develop solicitation documents
- Manage solicitation events
- Vendor selection and contract award
- Contract document review and approval
- List of current contracts
- Tracking requisitions, purchase orders, and master agreements to underlying contracts
- Monitoring vendor performance
- Purchase order and master agreement award notification to department staff

The City also uses eMaryland Marketplace and the City of Rockville website to post bid opportunities and uses the purchase card provider web-based system to track purchase card expenditures. Data from the P-card provider is integrated into the CGI-AMS system on a monthly basis.

### Acquisition Process

The CGI-AMS system is used for all requisitioning activity and purchase order creation as shown in the process flow below:



Based on interviews with staff, much of the initial approval routing activity is completed within the system, although some department staff report using a manual approval process. Once approved, the requisition and any supporting documentation is transmitted to Purchasing within the CGI-AMS system. Once the requisition has been submitted, Purchasing staff work with departments to either identify rider contracts or develop and manage solicitations; these activities occur outside the CGI-AMS system. Bid opportunities are posted to the eMaryland Marketplace and the City of Rockville website. Once a vendor is selected, contract documents are developed and reviewed by the Legal and Risk Management departments. The contract is then awarded and a PO or Master Agreement for a given purchase or contract is entered in the

CGI-AMS system, a hard copy of the document is then printed, scanned, and sent to the department via email with the hard copy to follow via inter-office mail. Payments made against the PO or Master Agreement are tracked in the CGI-AMS system.

GAX payments are also managed in the CGI-AMS system. Staff members enter the GAX document directly in the CGI-AMS system and it is then routed for approval based on the workflow in the system. Each department may have a separate approval workflow; however, interviews with staff indicate a typical approval workflow includes the division manager, department head, and accounting staff. Final approval is made by Accounts Payable staff. GAX payment requests in excess of \$3,000 are reviewed by the Purchasing Manager for approval after the Department Head has reviewed and approved the payment. Users must use Rockville Code Section 17-87 Exemptions when requesting payments. Once all approvals are obtained, payment is made to the vendor.

### ***Reporting Capabilities***

The CGI-AMS system provide features that allow the City of Rockville to create various standard reports related to Purchasing activity such as those shown in the table below:

| REPORT NAME                         | DATA PROVIDED  |
|-------------------------------------|--|
| OPEN PO STATUS REPORT               | List of all open purchase orders and the current value                                     |
| OPEN MASTER AGREEMENT STATUS REPORT | List of all open master agreements and the current value                                   |
| OPEN RQS REPORT                     | List of all open requisitions  |
| TRACK WORK IN PROGRESS REPORT       | Indicates status of all documents that have created expenditures against budget line items |
| GAX DETAIL REPORT                   | List of all GAX payments made during a given time period                                   |

These reports can be created or requested within the AMS/CGI system. In addition to these reports, users can obtain more detailed information from CGI-AMS on individual requisitions, purchase orders, and master agreements by looking up individual records. Department staff also have access to budget information such as pre-encumbrances, encumbrances, accrued expenses, and cash expenses as well as all budget transactions if needed for planning and budget management purposes. These are not presently standardized reports.

The system does contain information on the awarded vendor, commodity Code or object Code for the expenditure, and total value for PO, master agreement, GAX, and P-card expenditures. This data can be used to determine total annual expenditures for the City, although there is no standard report containing this information at present. Some data on the method of procurement or underlying contract is available in the system; however, it must be reviewed manually for each PO, master agreement, GAX, or P-card line item to determine the volume of procurement activity by purchasing vehicle.

The system has the ability to provide notifications to users when purchase orders are created or when payments are made against purchase orders; however, Finance staff report this functionality has not been implemented. Department staff do receive notifications from the system when requisitions are approved. The status of requisitions is also noted on individual records using the following standard designations:

- Waiting on Department Backup
- Under Review/In Draft
- Bids Advertised (4 Weeks)
- Bids Rec'd – Under Review (4-12 Weeks)
- Awarded
- Awaiting Contractor Docs
- Pending City Execution

Discussions with Purchasing and Finance staff indicate departmental users are able to access this status information directly in CGI-AMS; the department staff interviewed were not aware of this capability and expressed a desire for more communication regarding requisition status.



## Future Plans

There are several system upgrade and enhancement initiatives planned for the future including an upgrade to the CGI-AMS system, the implementation of a contract management system, and the implementation of a risk management system to track insurance certificates (vendor consideration and not budget). These plans are discussed in more detail below.

### *CGI-AMS Upgrade*

An upgrade to the CGI-AMS system is planned for FY 2016. Key features of this upgrade relating to Purchasing was not available.

### *Contract Management System*

The Purchasing Division has been authorized to implement a separate system for contract management activities and has begun the process to select a solution. One system under consideration is Contract Insight Enterprise from CobbleStone Systems. Contract Insight Enterprise is a web-based contract management solution which provides contract tracking, creation, reporting, scheduling, and performance tracking capabilities. Key features include:

- Access contracts from web browser or web enabled mobile device.
- Track contract related documents and files.
- Provides e-mail notifications for contracts, tasks, milestones, action items, and payments.
- Create drafts from templates for automation of contract creation.
- Create ad-hoc and custom reports.
- Link and associate contracts together for master and sub-contracts.
- Track contracts according to standard Codes, categories, statuses, departments, or locations.
- Monitor all actions taken in system with reportable audit log.
- Create contract workflow rules.
- Track payments
- Manage compliance and vendor performance with configurable ratings and scorecards

Implementing a contract management system will allow the City to have a single point of access for all contract related information.

### *Risk Management System*

Purchasing is responsible for manually collecting, maintaining, and tracking certificates of insurance from vendors. Risk Management staff report they are evaluating an automated system which would allow vendors to submit insurance certificates electronically which may be implemented in the future. The system would allow Risk Management to approve submissions directly in the software and automatically send notifications to Purchasing that the certificate of insurance has been accepted. The system would also have the ability to track expiration dates and send notifications to Purchasing when action is required.

One program under consideration is ClearRisk, a web-based service that allows users to access, enter, and use certificate data. Key features of the ClearRisk solution include certificate administration and management, online data submission, and built-in calendar and planning functionality.

### **Recommendation 29: Optimize use of Current IT Systems**

The current CGI-AMS system is appropriate to manage purchasing activity for the City of Rockville; however some functionality could be improved as noted in the following areas:

- Use the information in the system related to method of procurement to determine the volume of contract actions completed by type for a given time period.
- Improve information on requisition status is to tie more directly to the procurement process; automate requisition status.

- Make department staff aware information on requisition status is available in the system.
- Notify departments when purchase orders have been issued.
- Use the system to track cycle time, procurement activity by process stage, and method of procurement.
- Automate process of obtaining Risk Management, Legal, City Manager, and Mayor and Council approval.
- Use the system to track City-wide spend or provide information for use in strategic sourcing activities.

## Section 7: Prioritization of Recommendations

In this section, we provide suggested prioritization of implementing the recommendations based on the current staffing levels, requisition backlog, ease of implementation and value offered to the City. The following chart indicates our analysis of the prioritization based on impact and ease of implementation. We have provided three sets of plans: short term (within 12 months), medium term (within 24 months) and long term (25 -36 months). The (#) indicated the recommendation number.

|       |      |   |  |
|-------|------|---|--|
| Value | High | Develop a Strategic Plan (22)<br>Optimize use of Current IT Systems (29)<br>Establish a strategic sourcing Plan (15)<br>Implement Periodic File Review (17)<br>Enhance MFD Program (25)<br>Develop Targeted Improvement Plans (27)<br>Target MFD Firms (21) | Create a Hybrid Structure (1)<br>Update Purchasing Guide (3)<br>Update Purchasing Card Policy and Procedures (5)<br>Conduct Purchasing Training (6)<br>Implement Updated P-Card Oversight Program (8)<br>Conduct Intensive Purchasing Training (12)<br>Evaluate GAX payments (14)<br>Implement revised procedures (18)<br>Develop Service Level Agreements (26)<br>Update and Make clear all Data posted on the Website (23)<br>Standardize the information provided to the Mayor and Council (24) |
|       | Low  | Introduce more Convenient Purchase Card Training (7)<br>Implement an auto-release function for Purchase Orders (11)<br>Develop a system based Contract Management System (10)<br>Investigate public websites (19)<br>Develop an MFD contractors list (20)   | Incorporate Best Practices (4)<br>Create standardized procurement documents (9)<br>Develop standard reports (13)<br>Purchasing to Report Directly to the City Manager (2)<br>Standardize Documentation Requirements and Create Checklists (16)<br>Establish 5 Purchasing measures (28)   |
|       |      | Hard/ Long Time Frames  | Easy/Short Time Frames   |

| Short Term Plans (within 12 months) |   |
|-------------------------------------|---|
| Recommendation 1:                   | Create a Hybrid Structure of Departmental Focus and Method of Procurement   |
| Recommendation 2:                   | Purchasing to Report Directly the City Manager  |
| Recommendation 3:                   | Update Purchasing Guide   |
| Recommendation 4:                   | Incorporate Best Practices in Purchasing into Code and Purchasing Guide   |
| Recommendation 5:                   | Update Purchasing Card Policy and Procedures Manual and Incorporate into Purchasing Guide   |
| Recommendation 6:                   | Conduct P-card Policy and Procedure Training  |
| Recommendation 8:                   | Implement Updated P-Card Oversight Program  |
| Recommendation 9:                   | Create Standardized Solicitation documents  |
| Recommendation 12:                  | Conduct Intensive Purchasing Training   |
| Recommendation 13:                  | Develop standard reports to evaluate procurement activity and update on an annual basis. Data should be compared to established metrics to evaluate Purchasing performance.   |
| Recommendation 14:                  | Evaluate GAX payments for competitive purchasing opportunities  |
| Recommendation 18:                  | Implement procedures for independent cost estimates, cost/price analysis, vendor responsibility, use of standardized templates, guidance documents to departments for delegated procurements, award memorandum, and process for internal contract review. |
| Recommendation 19:                  | Investigate additional public procurement websites for opportunities to post public notice of pending procurement actions.  |
| Recommendation 20:                  | Identify potential MFD firms and conduct targeted outreach to increase MFD participation as prime or subcontractors on City procurements.   |
| Recommendation 23:                  | Update and Make clear all Data posted on the Website  |

|  |
|--|
| Recommendation 24: Standardize the information provided to the Mayor and Council |
| Recommendation 26: Develop Service Level Agreements                              |
| Recommendation 28: Establish Five Key Purchasing Measures                        |

| <b>Medium Term Plans (Within 24 Months)</b>  |
|--|
| Recommendation 7: Introduce more Convenient Purchase Card Training   |
| Recommendation 10: Develop a system based Contract Management System   |
| Recommendation 11: Implement an auto-release function for Purchase Orders  |
| Recommendation 15: Establish a strategic sourcing plan by first developing category plans for each of its 10-12 major purchase categories and creating sourcing plans and projects to achieve savings. |
| Recommendation 16: Standardize Documentation Requirements and Create Checklists  |
| Recommendation 17: Implement Periodic File Review Compliance Checks  |
| Recommendation 21: Develop a bidders list for use in identifying bidders for procurement opportunities. The list should reflect MFD firms and be updated with each solicitation                        |
| Recommendation 25: Enhance MFD Program   |
| Recommendation 27: Develop Targeted Improvement Plans  |
| Recommendation 29: Optimize use of Current IT Systems  |

| <b>Long Term Plans (25 – 36 Months)</b>     |
|---|
| Recommendation 22: Develop a Strategic Plan |

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## Appendix 1 – City of Rockville Code

The City of Rockville Code, Chapter 17, Purchasing is included below for reference.

### City Code

#### **Sec. 17-1. - Purposes.**

The purposes of this chapter are to provide for an efficient, cost-effective and equitable system of public purchasing by the City; to obtain the maximum purchasing value of public funds in procurement; to provide for a procurement system of quality and integrity; to provide for selling surplus goods in a manner which is efficient and equitable, and yields the highest sales price; and to permit the continued development of procurement policies and practices.

(Ord. No. 13-02, 6-10-02)

#### **Sec. 17-2. - Interpretation; singular-plural/gender references.**

(a) This chapter shall be construed and applied to promote the stated purposes.

(b) Unless the context requires otherwise:

- (1) Words in the singular number include the plural, and those in the plural include the singular; and
- (2) Words of a particular gender include any gender and the neuter, and when the sense so indicates, words of the neuter gender may refer to any gender.

(Ord. No. 13-02, 6-10-02)

#### **Sec. 17-3. - Scope.**

(a) Except as otherwise provided, this chapter applies to every disposition for value or expenditure of public funds by the City for public purchasing irrespective of its source.

(b) When the procurement or disposition involves Federal assistance or contract funds or is subject to Federal regulations, the procurement or disposition shall be conducted in accordance with any applicable mandatory Federal law or regulation which is not reflected in this chapter.

(c) Nothing in this chapter shall be construed as prohibiting or limiting the council's right to make appointments under the City's Charter or to authorize any procurement it deems to be in the best interest of the City, or the City's right to employ its own personnel for the construction or reconstruction of public improvements or for any other purpose without competitive solicitation.

(Ord. No. 13-02, 6-10-02)

#### **Sec. 17-4. - Severability.**

If any provision of this chapter or any application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of this chapter which can be given effect without the invalid provision or application, and to this end the provisions of this chapter are declared to be severable.

(Ord. No. 13-02, 6-10-02)

## **DIVISION 2. – DEFINITIONS**

#### **Sec. 17-16. - Definitions.**

The terms defined in this section shall have the meanings set forth below whenever they appear in this chapter unless the context in which they are used clearly requires a different meaning or a different definition is prescribed for a particular provision.

*Awarding authority* means the person or entity within the City authorized to award a contract.

*Bid* means an offer, in writing, to furnish goods, services, insurance or construction in conformity with the specifications, delivery terms and conditions or other requirements included in the invitation for bids or an offer to purchase property pursuant to Division 2 of Article III of this chapter.

*Brand name specification* means a specification by manufacturers' names or catalogue numbers.

*Brand name or equal specification* means a brand name specification to describe the standard of quality, performance, and other characteristics needed to meet City requirements, and which provides for the submission of equivalent products.

*Business* means any corporation, partnership, firm, individual, sole proprietorship, joint venture, association, or any other private legal entity through which business is conducted.

*Change order* means a written order signed and issued by the purchasing agent directing the contractor to make changes which the contract authorizes the City to order without the consent of the contractor.

*City* means the Mayor and Council of Rockville, otherwise known as the City of Rockville.

*City Manager* means the City Manager of Rockville or the City Manager's designee.

*Competitive sealed bid* means a method of procurement in which a supply, service, insurance, or construction item is defined in a list of specifications; the specifications are included in an Invitation for Bids; the bids are received by a specified time in sealed envelopes; an award is made to the lowest responsible bidder meeting all specifications, and cost is objectively measurable as defined in the specifications.

*Competitive sealed proposal* means a method of procurement in which a supply, service, insurance, or construction item is defined in a list of specifications; the specifications are included in a Request for Proposals (RFP); proposals are received by a specified time in sealed envelopes; and an award is made to the proposer most closely meeting specifications as determined by an evaluation that uses a predetermined and published set of evaluation criteria. Cost is one (1) criterion among others, all of which may be assigned specific weights.

*Confidential information* means any information which is available to an employee only because of the employee's status as an employee of this City and is not a matter of public knowledge or available to the public on request.

*Construction* means the erection, alteration, repair, improvement, or demolition of any public structure or building, or other public improvements of any kind, including any draining, dredging, excavation, grading or similar work upon real property. "Construction" does not include the routine operation, routine repair or routine maintenance of existing public facilities.

*Contract* means any City agreement, regardless of form or title, whether formal or informal, for the procurement or disposition of goods, services, insurance, or construction.

*Contract file* means a file maintained by the purchasing agent containing all determinations and other written records pertaining to any solicitation, award, or performance of a contract.

*Contract modification* means any written alteration in specifications, delivery, period of performance, price, quantity, or other provision of an existing contract whether accomplished by unilateral action in accordance with a contract provision or by mutual action of the parties to the contract.

*Contractor* means any person having a contract with the City.

*Council* means the Mayor and Councilmembers of Rockville which is the legislative body of the City.

*Electronic* means the electrical, digital, magnetic, optical, electromagnetic, or any other similar technology.

*Environmentally preferable purchasing* means the procurement or acquisition of goods and services that have a lesser or reduced effect on human health and the environment when compared with competing goods or services that serve the same purpose, based on the raw materials, manufacturing, packaging, distribution, use, reuse, operation, maintenance, and disposal of the goods or services.

*Formal contract* means a written contract for procurements exceeding thirty thousand dollars (\$30,000.00) and signed by the City Manager and the contractor.

*Goods* means supplies, materials, equipment, and all tangible property, except real property.

*Informality* means a minor defect or variation of a bid or proposal from the exact requirements of the Invitation to Bid, or the Request for Proposal, which does not materially affect the price, quality, quantity or delivery schedule for the goods, services, insurance, or construction being procured.

*Informal contract* means a contract for procurement not exceeding thirty thousand dollars (\$30,000.00).

*Kickbacks* means any money, fee, commission, credit, gift, or compensation of any kind which is provided directly or indirectly to a prime contractor, a prime contractor employee, a subcontractor, a subcontractor employee, a public employee, or other person for the purpose of obtaining or rewarding favorable treatment in the award of a prime contract or a subcontract in connection with a contract awarded by the City.

*Life-Cycle Cost* means the comprehensive accounting of the total cost of a product including procurement, initial cost, energy and operational cost, maintenance, longevity of service and disposal.

*Local business* means a business enterprise, including but not limited to a sole proprietorship, partnership, corporation, or limited liability company which (i) has a physical business address located within the corporate limits of the City from which the vendor operates or performs business on a day-to-day basis; and (ii) for the most recent tax year, has paid any real property or personal property tax due to the City. Post office boxes, or their equivalent, shall not be used for the purpose of establishing a physical address within the City.

*Person* means an individual, association, firm, partnership, corporation, government agency, or other entity, but does not include the City government.

*Procurement* means buying, purchasing, renting, leasing, or otherwise acquiring any supplies, services, insurance, or construction. It also includes all functions that pertain to the obtaining of any supply, service, insurance, or construction, including the description of requirements, selection and solicitation of sources, preparation and award of contract, and all phases of contract administration.

*Professional services* means services performed by a person whose specialized knowledge and academic preparation have led the person to be a recognized professional within their vocation. These services include, but are not limited to, the practice of accounting, architecture, land surveying, landscape architecture, dentistry, medicine, optometry, pharmacy, actuarial services, professional engineering, property appraisals, consulting, and such other services that are customarily negotiated because the individuality of those services do not lend themselves to a fixed price bid.



*Proposal* means an offer to supply goods or insurance or perform services, or to purchase goods to be disposed, in response to a request for proposals by the City where competitive sealed proposals or negotiations will be used rather than the competitive bid process.

*Public entity* means any Federal, State or local government, agency, committee, commission, board, institution, or political subdivision created by Federal, State or local law to exercise some sovereign power or to perform some governmental duty.

*Public notice* means notice of a procurement solicitation given in a manner reasonably calculated to provide notice to persons interested in the solicitation. At a minimum, such notice shall include posting notice of all pending procurements on a City website maintained for that purpose. Such notice may, but need not necessarily, include publication in a newspaper of general circulation, electronic mailing lists, and web sites maintained for that purpose.

*Purchase order* means a type of contract issued by the City not requiring countersignature by the contractor.

*Purchasing agent* means the person designated as purchasing agent pursuant to [section 17-21](#) of this chapter. The term shall also include any person designated pursuant to [section 17-24](#) of this chapter by the purchasing agent to perform one or more functions of the purchasing agent.

*Request for Proposals (RFP)* means all documents, whether attached or incorporated by reference, used for soliciting proposals.

*Requirements contract* means a contract whereby the City agrees to purchase and the contractor agrees to sell all the goods of a designated type which the City may require, without specifying in the contract an exact quantity.

*Responsible bidder or offeror* means a person that has the capability, in all respects, to perform fully the contract requirements, and the tenacity, perseverance, experience, integrity, reliability, capacity, facilities, equipment and credit which will assure good faith performance.

*Responsive bidder* means a bidder that has submitted a bid which conforms in all material respects to the Invitation for Bids.

*Services* means the furnishing of labor, time, or effort by a contractor, not involving the delivery of a specific end product other than reports which are merely incidental to the required performance. This term shall not include employment agreements or collective bargaining agreements.

*Specification* means any description of the physical or functional characteristics, or of the nature, of a supply, service, insurance or construction item. It may include a description of any requirement for inspecting, testing, or preparing a supply, service, insurance, or construction item for delivery.

*Split Purchasing* means when a recognized need for a certain volume of goods, services, insurance, or construction is purposefully split into smaller increments in order to evade any requirement of this chapter.

*Surplus goods* means all goods which have been determined by the purchasing agent to have become surplus, obsolete or unusable.

*Tie bids* are responsive bids from responsible bidders that are identical in price, terms and conditions and which meet all the requirements and evaluation criteria set forth in the invitation for bids.

*Using department* means any City department, office, or agency that utilizes any goods, services, insurance, or construction procured under this chapter.

*Written or In Writing* includes information that is electronically transmitted and/or stored.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 1, 6-13-11; Ord. No. 1-13, § 1, 1-14-13)

### **DIVISION 3. - PURCHASING AGENT**

#### **Sec. 17-21. - Establishment and appointment.**

The purchasing system shall operate under the direction and supervision of a purchasing agent within the Finance Department. The City Manager may exercise some or all of the duties of the purchasing agent.

(Ord. No. 13-02, 6-10-02)

#### **Sec. 17-22. - Authority and duties of the purchasing agent.**

Except as otherwise provided in this chapter, the purchasing agent shall have the authority and responsibility to:

- (1) Procure or supervise the procurement of all goods, services, insurance, and construction needed by the City;
- (2) Sell, trade or otherwise dispose of surplus goods belonging to the City;
- (3) Exercise general supervision and control over all inventories of supplies belonging to the City;
- (4) Develop procedures, standards, and policies, and forms, including but not limited to a Purchasing Manual, as may be necessary for the effective implementation of this chapter;
- (5) Conduct pre-bid or pre-proposal conferences where appropriate;
- (6) Make written recommendations for the award of formal contracts;
- (7) Keep informed of current developments in the field of purchasing, prices, market conditions, and new products;
- (8) Assure that sufficient money has been appropriated to cover the cost of all purchases or contracts;
- (9) Establish and maintain programs for the inspection, testing, and acceptance of goods, services, insurance, and construction;
- (10) Maintain contract files associated with procurements;
- (11) Change specifications and terminate solicitations;
- (12) Make determinations of bidder and offeror responsibility;
- (13) Require bonds, insurance, and other forms of protection for the City in connection with the procurement process;
- (14) Ensure compliance with this chapter by reviewing and monitoring procurements conducted by any designee, department, or employee delegated authority under [section 17-24](#);
- (15) Make all written determinations required by this chapter, except as may otherwise be provided by this chapter; and
- (16) Perform other functions and duties as required by this chapter or as may be assigned.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 1, 6-13-11)

#### **Sec. 17-23. - City procurement records.**

All determinations and other written records pertaining to any formal solicitation, award, or performance of a contract shall be maintained for the City in a contract file. All records shall be maintained for such time as required by State law or regulation but in no event less than three (3) years or according to retention schedules approved by the State.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 1, 6-13-11)

**Sec. 17-24. - Delegation of authority by purchasing agent.**

The purchasing agent may establish procedures and standards for delegating authority to purchase certain supplies, services, insurance, or construction items, and to make determinations required by this chapter to other City employees or public entities, if such delegation is deemed appropriate for the effective procurement of those items.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 1, 6-13-11)

**ARTICLE II. - CONTRACT FORMATION**

**Sec. 17-36. - Types of contracts.**

Subject to the requirements of this article, any type of contract that is appropriate to the procurement and that will promote the best interests of the City may be used.

(Ord. No. 13-02, 6-10-02)

**Sec. 17-37. - Written contracts required.**

(a) All contracts involving more than three thousand dollars (\$3,000.00) shall be in writing.

(b) For the routine purchase of goods, services, insurance, and construction, a purchase order issued by the purchasing agent shall satisfy the requirement for a written contract.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 2, 6-13-11)

**Sec. 17-38. - Formal contracts.**

Except for the purchase of goods and equipment, formal written contracts signed by the City Manager and the contractor shall be required for procurements exceeding thirty thousand dollars (\$30,000.00), including requirements contracts estimated to exceed thirty thousand dollars (\$30,000.00) in any given fiscal year.

(Ord. No. 13-02, 6-10-02; Ord. No. 29-04, 10-4-04; Ord. No. 9-11, § 2, 6-13-11)

**Sec. 17-39. - Awarding authority.**

(a) All contracts involving more than one hundred thousand dollars (\$100,000.00) shall be awarded by the Council, except as may be specifically provided in this chapter.

(b) Except for those contracts awarded by the Council and when emergency procurements are necessary, all formal two-party contracts shall be awarded by the City Manager.

(c) All other contracts shall be awarded by, or under the supervision of, the purchasing agent, subject to review by the City Manager.

(Ord. No. 13-02, 6-10-02; Ord. No. 29-04, 10-4-04; Ord. No. 9-11, § 2, 6-13-11)

**Sec. 17-40. - Contract modifications; change orders; price adjustments.**

The following contract changes (including contract modifications, change orders, and price adjustment) must be approved by the Council:

- (1) Changes to any contract not originally awarded by the Council when the cumulative value of the original contract and all changes to the contract exceed one hundred thousand dollars (\$100,000.00);
- (2) Changes to any contract originally awarded, or any contract previously modified, by the Council when the cumulative value of all changes exceed both
  - a. One hundred thousand dollars (\$100,000.00), and
  - b. Ten percent (10%) of the original contract.

(Ord. No. 13-02, 6-10-02; Ord. No. 29-04, 10-4-04)

**Sec. 17-41. - Multi-term contracts**

A contract for goods, insurance, or services may be entered into for any period of time deemed to be in the best interest of the City provided the term of the contract and conditions of renewal or extension, if any, are included in the solicitation and funds are available for the first fiscal period at the time of contracting. When funds are not appropriated or otherwise made available to support continuation of performance in a subsequent fiscal period, the contract shall be canceled with no penalty to the City.

(Ord. No. 13-02, 6-10-02)

**Sec. 17-42. - Voidable contracts.**

If any employee or official of the City purchases or contracts for supplies, services, insurance, or construction in a manner contrary to the provisions of this chapter such purchase or contract is voidable by the City. However, when, in the opinion of the City Manager, the contracting violation occurred through no fault of the contractor, the contractor may be reimbursed on a quantum merit basis for goods, services, or insurance furnished or work performed in good faith, in such amount as may be determined by the City Manager.

(Ord. No. 13-02, 6-10-02)

**ARTICLE III. - SOURCE SELECTION**

**DIVISION 1. - GENERAL**

**Sec. 17-51. - In general.**

Notwithstanding any provision of this chapter, the Council may approve any method of procurement that it deems to be in the best interest of the City.

(Ord. No. 13-02, 6-10-02)

**DIVISION 2. - COMPETITIVE PROCUREMENT**

**Sec. 17-61. - Formal solicitation—Competitive sealed bidding.**

(a) *Conditions for use.* Formal contracts shall be awarded by competitive sealed bidding, except as otherwise provided in this chapter.

(b) *Invitation for bids.* An Invitation for Bids shall be issued and shall include specifications and all contractual terms and conditions applicable to the procurement.

(c) *Public notice.* Public notice of the Invitation for Bids shall be given at least fifteen (15) days prior to the date set forth therein for the opening of bids, unless the purchasing agent determines, in writing, that circumstances require a shorter notice period.

(d) *Bid opening.* Bids shall be opened publicly in the presence of one (1) or more witnesses at the time and place designated in the Invitation for Bids. The amount of each bid, and such other relevant information as is deemed appropriate together with the name of each bidder shall be recorded. The record and each bid shall be open to public inspection.

(e) *Late bids.* Late bids will not be accepted.

(f) *Bid acceptance and evaluation.* Except as authorized in this article, bids shall be accepted without alteration or correction. Bids shall be evaluated based on the requirements set forth in the Invitation for Bids, which may include criteria to determine acceptability such as inspection, testing, quality, workmanship, delivery, and suitability for a particular purpose. The Invitation for Bids shall set forth the evaluation criteria to be used. No criteria may be used in a bid evaluation that are not set forth in the Invitation for Bids.

(g) *Waiver of minor informality or immaterial bid defect.* The purchasing agent may waive a minor informality or immaterial bid defect if such waiver is determined to be in the best interest of the City. A minor informality means a bid requirement that is merely a matter of form or is an immaterial provision in the solicitation. A bid defect is immaterial when the significance of the defect is negligible when contrasted with the total cost or scope of the procurement. The decision of the purchasing agent with respect to whether a requirement is a minor informality or whether a bid defect is immaterial is final and may not be challenged by a bidder.

(h) *Correction or withdrawal of bids; cancellation of awards.*

(1) Where a mistake is discovered before bid opening, the bid may be modified or withdrawn by written, telegraphic, or electronic notice received by the purchasing agent prior to the time set for bid opening.

(2) Where a mistake is discovered after bid opening but prior to contract award, a bid:

a. May be corrected where the error made and the intended bid price can be determined solely from the bid documents submitted, and the purchasing agent determines that the mistake was inadvertent and bona fide;

b. May be withdrawn where the bid was submitted in good faith and the bid price is substantially lower than the other bids due solely to a clerical mistake therein as opposed to a judgment mistake and the mistake was due to an unintentional arithmetic error or an unintentional omission of a quantity of work, labor or material made directly in the compilation of a bid, which unintentional arithmetic error or unintentional omission can be clearly shown by objective evidence drawn from inspection of original work papers, documents and materials used in the preparation of the bid.

(3) Where an error is discovered in the successful bid after the award of the contract and the conditions of subsection (h)(2)a. or (h)(2)b. of this section are satisfied, the bid may be corrected or withdrawn, respectively, and the contract amended or rescinded as appropriate, provided that no bid correction or contract amendment shall be permitted that would cause the contract price to exceed the next lowest bid.

(4) No bid may be withdrawn or award canceled when the result would be prejudicial to the interests of the City or fair competition.

(5) No bidder who is permitted to withdraw a bid shall, for compensation, supply any material or labor to or perform any subcontract or other work agreement for the person or business to whom the contract is awarded, or otherwise benefit, directly or indirectly, from the performance of the project for which the withdrawn bid was submitted.

(6) If a bid is withdrawn or award canceled under the authority of this section, the lowest remaining bid shall be deemed to be the low bid.

(7) Nothing herein shall prevent the City from rejecting all bids if deemed to be in the interest of the City or fair competition.

(8) All decisions to permit the correction or withdrawal of bids or cancellation of an award based upon bid mistakes, shall be supported by a written determination made by purchasing agent.

(i) *Contract award.* Subject to the provisions set forth herein, contracts shall be awarded to the lowest responsive and responsible bidder whose bid meets the requirements and criteria set forth in the Invitation for Bids.

(1) When the terms and conditions of the Invitation for Bids provide that multiple awards may be made, awards may be made to more than one bidder.

(2) If the bid from the lowest responsible bidder exceeds available funds or is deemed excessive, the purchasing agent may (a) negotiate with the lowest responsible bidder to obtain an acceptable contract price, and if unsuccessful, may thereafter enter into negotiations with the next lowest bidder; or (b) reject all bids and solicit new bids, with or without revised specifications.

(3) When the contract is not awarded to the lowest bidder, a written statement of the reasons for awarding the contract to another bidder shall be prepared by the purchasing agent and maintained in the contract file.

(j) *Tie bids.* In the case of a tie bid between a local business and a non-local business award shall be made to the local business. If tie bids are received from two (2) or more local firms or from two (2) or more non-local firms, a drawing shall be conducted. A witness shall be present to verify the drawing and shall certify the results on the bid tabulation sheet. The City reserves the right to reject all bids and rebid the contract.

(k) *Multi-step sealed bidding.* When it is considered impractical to initially prepare a purchase description to support an award based on price, an Invitation for Bids may be issued requesting the submission of unpriced offers to be followed by an Invitation for Bids limited to those bidders whose offers have qualified under the criteria set forth in the first solicitation.

(l) *Single bid.* Where only a single bid is received and the price is not acceptable to the City, the City may either negotiate with the bidder for a more acceptable price or reject the bid. If the bid is rejected, the City may re-solicit for bids or may utilize any other procurement method reasonably designed to obtain the best price.

(m) *Contract award based on "best value."* Notwithstanding subsection [17-61\(i\)](#), a contract may be awarded on best value analysis provided that the criteria for analysis was included in the invitation for bids. The contract shall be awarded to the responsive, responsible bidder whose bid is determined to be the best value to the City and that conforms in all material respects to requirements and criteria set forth in the invitation for bids.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 3, 6-13-11; Ord. No. 1-13, § 2, 1-14-13)

## **Sec. 17-62. - Formal solicitation—Competitive sealed proposals.**

(a) *Conditions for use.* Formal contracts may be awarded by competitive sealed proposals where the purchasing agent, in consultation with the using department, determines that competitive sealed bidding is either not practicable or not advantageous to the City.

(b) *Written justification.* A written justification for utilizing sealed proposals shall be submitted to the Awarding Authority before any resulting contract is awarded, except that no written justification is required for utilizing competitive sealed proposals to procure

(1) Professional services.

(2) Insurance.

(3) Design-build projects.

(c) *Request for Proposal (RFP); evaluating factors.* The purchasing agent shall issue a written Request for Proposal (RFP) indicating in general terms that which is sought to be procured, specifying the relative importance of price

and other factors which will be used in evaluating the proposal, and applicable contractual terms and conditions, including any unique capabilities or qualifications which will be required of the contractor.

(d) *Public notice.* Public notice of the RFP shall be given in the same manner as provided in [section 17-61\(c\)](#).

(e) *Receipt and opening of proposals.* There shall be no public opening of proposals and no proposal shall be otherwise handled so as to permit disclosure of the identity of any offeror or the contents of any proposal to competing offerors during the evaluation process. The proposals, except for information identified by the offeror as proprietary, shall be open for public inspection after contract award.

(f) *Late proposals.* Late proposals shall be accepted only when it is established to the satisfaction of the purchasing agent that the lateness was due to unexpected weather or traffic conditions, or other conditions beyond the control of the offeror. The purchasing agent may require documentation and/or other proof of the condition resulting in the late proposal. No late proposal shall be accepted when to do so would confer an advantage on the late offeror or otherwise be adverse to fair competition. All decisions to accept late proposals shall be supported by a written determination made by the purchasing agent.

(g) *Discussion with Responsible Offerors and Revisions to Proposals.* If provided in the RFP, the purchasing agent or the using department may conduct discussions with responsible offerors who submit proposals determined to be reasonably susceptible of being selected for award for the purpose of clarification to assure full understanding of, and responsiveness to, the solicitation requirements. Offerors shall then be afforded an opportunity to revise their proposals prior to award for the purpose of obtaining best and final proposals. In conducting discussions, there shall be no disclosure of any information derived from proposals submitted by competing offerors.

(h) *Ranking of proposals; negotiation; award.* The purchasing agent in consultation with the using department shall evaluate the final proposals based on criteria contained in the RFP and rank in order of preference the most qualified offerors. The purchasing agent shall negotiate a contract with the top-ranked offeror. If the purchasing agent is unable to negotiate a satisfactory contract with the top-ranked offeror the purchasing agent may thereafter enter into negotiations with the next highest ranked offeror and, if unsuccessful, with each successive next highest ranked offeror. The contract shall be awarded to the highest ranked offeror with whom a satisfactory contract has been negotiated. If a contract satisfactory to the City cannot be reached, negotiations may be terminated and the solicitation process may start over. If, at any time during the process, it is determined in writing that only one offeror is fully qualified, or that one offeror is clearly more highly qualified than the others under consideration, a contract may be negotiated and awarded to that offeror.

(i) *Multiple awards.* Multiple awards may be made under a single RFP if the RFP provides for multiple awards.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 3, 6-13-11)

#### **Sec. 17-63. - Informal solicitation.**

(a) Any purchase not exceeding thirty thousand dollars (\$30,000.00) may be made in accordance with informal procurement procedures established by the purchasing agent that provide for informal solicitation of bids, quotations, proposals or offers.

(b) The award shall be made to the lowest responsive and responsible supplier. The name of the person submitting a bid, quotation, proposal, or offer and the date and amount of each bid, quotation, or offer shall be recorded and maintained as part of the contract file.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 3, 6-13-11)

#### **Sec. 17-64. - Request for expressions of interest.**

(a) *Conditions of use.* A request for expressions of interest may be used to:

- (1) Obtain essential procurement information needed to prepare a subsequent solicitation;

- (2) Develop a ready source of potential offerors who can respond to a subsequent solicitation; or
- (3) Resolve technological or programmatic questions relative to how the City requirements can best be supplied.

(b) *Public notice.* As determined by the purchasing agent, public notice of the request for expressions of interest shall be given in the same manner provided in [section 17-61\(c\)](#).

(c) *Evaluation.* A request for expressions of interest must contain evaluation factors and an explanation of how the list of offerors who will be eligible to receive a subsequent solicitation will be determined.

(d) *Selection Committee.* A selection committee must review and evaluate the proposals and recommend a list of offerors who will be eligible to receive a subsequent solicitation.

(e) *Subsequent solicitation.* A request for expressions of interest does not directly lead to the award of a contract. Only those offerors determined to be eligible to receive a subsequent solicitation may participate in any subsequent solicitation. A subsequent solicitation may be accomplished through competitive sealed bidding, competitive sealed proposals, or an informal solicitation. Proposals received under a request for expressions of interest may form a basis for justifying a non-competitive contract award.

(Ord. No. 9-11, § 3, 6-13-11)

#### **Sec. 17-65. - Unsolicited proposals.**

(a) *Processing of Unsolicited Proposals.* If the City receives a proposal, other than one submitted in response to a solicitation, the purchasing agent shall forward the proposal to the using department.

(b) *Conditions for Use.* To be considered for evaluation, an unsolicited proposal:

- (1) Shall be in writing;
- (2) Shall be sufficiently detailed to allow a judgment to be made concerning the potential utility of the proposal to the City;
- (3) Shall contain a novel or innovative concept, application, approach, or method or which demonstrates a novel capability of the offeror of the proposal;

(c) *Evaluation.* The purchasing agent shall make a determination as to whether the proposal meets the requirements of [section 17-65\(b\)](#). The purchasing agent shall make a determination within thirty (30) days after receiving the unsolicited proposal. If the purchasing agent fails to make a determination within thirty (30) days as required, the unsolicited proposal shall be considered disapproved. If the purchasing agent determines that the proposal does not meet the requirements of this section, a contract award shall not be made based on the unsolicited proposal.

(d) *Discussion with Responsible Offeror.* The purchasing agent and the using department may conduct discussions with an offeror who submits a proposal for the purpose of clarification and to assure full understanding. An offeror shall be afforded an opportunity to revise their proposal prior to award.

(e) *Public notice before award.* Not less than thirty (30) days before the execution and award of a contract based on an unsolicited proposal, the purchasing agent shall publish a notice of intent to award the contract on the City's website. If, during the 30-day period before contract award, a person files a written petition with the City for reconsideration of an approval determination, the awarding authority shall reconsider and make written findings affirming or reversing the approval.

(f) *Contract Award.* Subject to the provisions set forth herein, award of an unsolicited proposal shall be made in accordance with [section 17-39](#).

(g) *Confidentiality.* The proposal, except for information identified by the offeror as proprietary, shall be open for public inspection after contract award.

(Ord. No. 9-11, § 3, 6-13-11)



**Sec. 17-66. - Right to cancel solicitations; right to reject bids, proposals and offers.**

(a) The purchasing agent may, when in the best interest of the City, cancel an Invitation for Bids, a Request for Proposals, or other solicitation. The reasons therefor shall be made a part of the contract file.

(b) Any or all bids, proposals, or offers may be rejected in whole or in part by the Awarding Authority.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 3, 6-13-11)

**Sec. 17-67. - Responsibility of bidders and offerors.**

(a) *Determination of responsibility.* A determination shall be made as to the capability of the bidder or offeror to fully perform the contract requirements in all respects. Where competitive sealed bids or competitive sealed proposals are used any determination of nonresponsibility shall be made in writing.

(b) *Factors to consider.* The following factors shall be considered in determining whether a bidder or offeror is "responsible:"

- (1) Price and other criteria set forth in the solicitation documents;
- (2) The ability, capacity, skill and financial resources of the bidder or offeror to perform the contract or provide the service required within the time specified, without delay or interference;
- (3) The character, integrity, reputation, judgment, experience, and efficiency of the bidder or offeror;
- (4) The quality of performance of previous contracts or services;
- (5) The previous and existing compliance by the bidder or offeror with laws and ordinances relating to a contract with the City;
- (6) The ability of the bidder or offeror to provide future maintenance and service for the use of the subject of the contract;
- (7) Such other factors deemed relevant to the determination of nonresponsibility.

(c) *Presumed nonresponsibility.* A bidder or offeror who has been disbarred or who is in default on payment of taxes, licenses, fees, fines, or other monies due the City, for whatever reason, shall be deemed to be nonresponsible.

(d) *Failure to provide information.* The unreasonable failure of a bidder or offeror to promptly supply information in connection with an inquiry with respect to responsibility may be grounds for a determination of nonresponsibility with respect to such bidder or offeror.

(e) *Nondisclosure of information.*

- (1) Confidential information furnished by a bidder or offeror pursuant to this section shall not be made public without the prior written consent of the bidder or offeror.
- (2) The City shall not be required to disclose specific information received from references if such information was disclosed in confidence or if the disclosure of said information could affect the ability of the City to obtain future references.

(f) *Prequalification.* Where a competitive procurement process is used, the purchasing agent may prequalify bidders or offerors to submit a bid or proposal based on the criteria for determining "responsibility" as set forth in this section and in the solicitation documents. Prequalification of a bidder or offeror shall not constitute a conclusive determination that a bidder or offeror is responsible, and such bidder or offeror may be rejected as non-responsible at any time on the basis of subsequently discovered information.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 3, 6-13-11)

### **DIVISION 3. - COOPERATIVE PROCUREMENT**

#### **Sec. 17-71. - Cooperative procurement authorized.**

(a) The City may participate in, sponsor, conduct, or administer cooperative procurement agreements with one or more other public entities when the best interests of the City would be served thereby.

(b) The City may contract with any contractor who offers goods, services, insurance, or construction on the same terms as provided other state or local governments or agencies thereof who have arrived at those terms through a competitive procurement procedure similar to the procedure used by the City.

(Ord. No. 13-02, 6-10-02)

#### **Sec. 17-72. - Contracting with public entities.**

(a) The City may contract directly with other public entities for goods or services when such goods or services were obtained through competitive procurement procedures.

(b) The City may contract with any public entity to provide or receive any work or services of the type the City or such other public entity performs for its jurisdiction.

(Ord. No. 13-02, 6-10-02)

#### **Sec. 17-73. - Joint use of facilities**

The City may enter into agreements or memoranda of understanding with other public entities for the common use or lease of facilities upon terms agreed upon between the parties.

(Ord. No. 13-02, 6-10-02)

#### **Sec. 17-74. - Supply of personnel, information, and technical services.**

The City may enter into agreements or memoranda of understanding with other public entities for supplying or receiving personnel, information, or technical services.

(Ord. No. 13-02, 6-10-02)

### **DIVISION 4. - NON-COMPETITIVE PROCUREMENT METHODS**

#### **Sec. 17-81. - Small procurements.**

Expenditures of not more than three thousand dollars (\$3,000.00) may be made by the using department without the prior approval of the purchasing agent in accordance with procedures governing small procurements established by the purchasing agent.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 3, 6-13-11)

#### **Sec. 17-82. - Sole source procurement.**

(a) A contract of any value may be awarded without competition when the Awarding Authority determines, based on a good faith review of available sources, that

(1) There is only one (1) source practicably available for the required supply, service, insurance, or construction item; or

(2) The availability of used machinery or equipment is limited, such as to make competitive procurement impractical, and that a delay in procurement would be detrimental to the City.

(b) A record of sole source procurements shall be maintained that lists each contractor's name, the amount and type of each contract, a listing of the item procured under each contract and the reasons justifying the sole source procurement.

(c) The purchasing agent shall submit to the City Manager an annual report of all sole source procurements in excess of thirty thousand dollars (\$30,000.00).

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 3, 6-13-11)

#### **Sec. 17-83. - Phased projects or services**

When the appropriate Awarding Authority determines that a project or a service of a complex nature carried out in phases makes it not feasible to continue subsequent phases with other than the first phase source, contracts for subsequent phases may be awarded to the first phase source without competition.

(Ord. No. 13-02, 6-10-02)

#### **Sec. 17-84. - Emergency procurements.**

(a) The purchasing agent may authorize emergency procurements of supplies, services, insurance, or construction of any value without competition under any of the following circumstances:

(1) Where there exists a threat to public health, welfare or safety;

(2) Where delay would significantly injure the City financially or otherwise;

(3) To prevent a breakdown in machinery and/or threatened termination of essential services (including maintenance and repair of essential office equipment);

(4) To prevent spoilage;

(5) Any other circumstance in which goods, services, insurance, or construction are needed for immediate use;

(b) Emergency procurements shall be made with such competition as is practical under the circumstances.

(c) As soon as practicable, a record of each emergency procurement shall be made containing the following:

(1) A written explanation of the circumstances of the emergency;

(2) A tabulation of bids or quotes received, if any;

(3) The contractor's name, the amount and type of contract, a listing of the items procured under the contract.

(d) To the extent feasible under the circumstances, the purchasing agent shall obtain the approval of the City Manager for emergency procurement in excess of thirty thousand dollars (\$30,000.00).

(e) The purchasing agent shall submit to the City Manager an annual report listing of all emergency purchases in excess of thirty thousand dollars (\$30,000.00).

(f) The Council shall be notified of emergency procurements exceeding one hundred thousand dollars (\$100,000.00) as soon as practicable.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 3, 6-13-11)

#### **Sec. 17-85. - Related construction projects**

Contracts may be awarded without competition for construction of City improvements if:

- (1) City improvements consist of a portion of a single structure or complex of related structures containing both City and private improvements or improvements of another government; and
- (2) The party with whom the City contracts for construction of the City improvements is also constructing the private or other governmental improvements within the single structure or complex of related structures; and
- (3) There is a written determination that this method of procurement is in the best interests of the City.

(Ord. No. 13-02, 6-10-02)

**Sec. 17-86. - Contract extensions.**

Unless otherwise provided in the solicitation documents, an extension of a contract may be awarded without competition when a written finding is made that circumstances warrant the extension of an existing contract, provided the extension is for not more than one year and does not exceed twenty-five percent (25%) of the total original price.

(Ord. No. 13-02, 6-10-02)

**Sec. 17-87. - Exemptions.**

The following are exempt from competitive procurement:

- (1) Professional services and other services associated with actual or potential litigation, administrative, or regulatory proceedings.
- (2) Professional services not exceeding five thousand dollars (\$5,000.00). No contractor or other person may be a party to, or beneficiary of, more than one contract awarded pursuant to this provision within any given fiscal year.
- (3) Purchases for water, sewer, electric, telephone, postage or other utility services and motor vehicle license plates.
- (4) Sale, rental, or purchases of land and improvements on the land, and rights-of-way.
- (5) Grants or contracts with other public bodies.
- (6) Goods purchased from a public auction sale, including an internet auction, provided that a written determination is made in advance by the purchasing agent that such purchase is in the best interest of the City.
- (7) Purchases for special police work when the Chief of Police certifies to the purchasing agent that items are needed for undercover police operations.
- (8) Purchases of goods and personal services for direct use by individual recipients of services under the public assistance programs administered by the City.
- (9) Purchases from nonprofit sheltered workshops serving the handicapped.
- (10) Expenditures for travel, subscription, courses, seminars, and conventions, membership dues and subscription fees.
- (11) Advertising.
- (12) Procurement of temporary employment services.
- (13) Procurement of entertainment, instructional, facilitating, or educational services for City officials, staff, or residents, or for social, cultural, or recreational programs or events offered or sponsored by the City.
- (14) Acquisition of works of art for public display.
- (15) Employment contracts and employee relocation costs.
- (16) Sponsorship agreements.

(17) Lobbying services.

(18) On-going proprietary software maintenance or support.

Although procurements referred to in [section 17-87](#) are exempt from competition, the provisions of sections [17-37](#), [17-38](#) and [17-39](#) apply.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 3, 6-13-11)

#### **Sec. 17-88. - Special procurements.**

(a) The Awarding Authority may authorize non-competitive procurement methods, upon a written determination that a unique or unusual circumstance exists that makes competitive procurement contrary to the City's interest.

(b) A record of special procurements shall be maintained that lists each contractor's name, the amount and type of each contract, a listing of the item procured under each contract and the reasons justifying the special procurement.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 3, 6-13-11)

#### **Sec. 17-89. - Environmentally preferable purchasing.**

The purchasing agent will develop an environmentally preferable purchasing policy which shall provide preference, to the greatest extent practicable, to products and services that will enhance and protect the environment, protect the welfare of workers, residents, and the larger global community, and represent the best overall value to the City.

(Ord. No. 9-11, § 3, 6-13-11)

### **ARTICLE IV. - DISPOSITION OF GOODS**

#### **Sec. 17-101. - Generally.**

All using departments shall submit to the purchasing agent reports listing stocks of all goods which are no longer used, which have become obsolete or which are surplus to the needs of the department. The purchasing agent shall transfer serviceable surplus goods between using departments in lieu of filling requisitions for the purchase of new or additional stock of the same or similar articles unless such transfer is determined by the purchasing agent to be contrary to the best interests of the City.

(Ord. No. 13-02, 6-10-02)

#### **Sec. 17-102. - Methods of sale.**

(a) All surplus goods shall be disposed of using any of the following methods which will yield the greatest return under the circumstances:

(1) Transfer to another City department, whenever feasible, before other methods of disposal are considered.

(2) Sale to the highest responsible bidder by the competitive bid or proposal procedures prescribed in article III, division 2 of this chapter, except that the goal shall be to obtain the highest price from prospective purchasers.

(3) Competitive auction sale, including internet auction sale, after reasonable public notice.

(4) Trade-in or exchange of goods which are of current need.

(5) Surplus goods may be first offered to City employees at a set price determined by the City Manager to be reasonably equivalent to the best price the City could expect to obtain on the open market.

(b) Notwithstanding any other provision of this section, the City Manager may authorize making a gift, loan, or sale below fair market value of surplus goods to other public entities or to non-profit entities located within the corporate boundaries of the City upon a written determination that such loan, gift or sale would be in the best interest of the City.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 4, 6-13-11)

#### **Sec. 17-103. - Worthless items.**

In the event the purchasing agent determines that the goods offered for disposal have no real or scrap value, they may be recycled or disposed of as refuse in a manner that complies with all applicable environmental laws, regulations and permits.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 4, 6-13-11)

#### **Sec. 17-104. - Waivers.**

Upon a written determination that strict compliance with this Article is contrary to the best interests of the City, the City Manager may waive the provisions of this Article and authorize the disposal of surplus goods in the most practical manner.

(Ord. No. 13-02, 6-10-02)

### **DIVISION 1. - GENERALLY**

#### **Sec. 17-116. - Standard contract provisions.**

Contracts shall include:

- (1) Such standard provisions that may be required by any procedures, standards or policies developed by the purchasing agent to implement this chapter.
- (2) Such other provisions determined by the purchasing agent in consultation with the using department to be appropriate under the circumstances.

(Ord. No. 13-02, 6-10-02)

#### **Sec. 17-117. - Incentive contracting.**

Construction contracts may include provisions which afford the contractor the opportunity to share in any cost savings realized by the City when project costs are reduced by such contractor, without affecting the project quality, during construction of the project. Any fee charged by the project engineer or architect for determining such cost savings shall be paid as a separate cost and shall not be calculated as part of any cost savings.

(Ord. No. 13-02, 6-10-02)

### **DIVISION 2. - SPECIFICATIONS**

#### **Sec. 17-121. - Maximum practical competition.**

All specifications shall be drafted so as to promote overall economy for the purposes intended and to encourage maximum free and open competition in satisfying the City's minimum needs, and shall not be unduly restrictive. This

section applies to all specifications including, but not limited to, those prepared for the City by architects, engineers, designers, and drafters.

(Ord. No. 13-02, 6-10-02)

**Sec. 17-122. - Brand name or equal specifications.**

(a) *Use.* Brand name or equal specifications may be used when the purchasing agent determines in writing that:

- (1) No other design or performance specification or qualified products list is available; or
- (2) Time does not permit the preparation of another form of purchase description, not including a brand name specification; or
- (3) The nature of the product or the nature of the City's requirements makes use of a brand name or equal specification suitable for the procurement; or
- (4) Use of the brand name or equal specification is in the City's best interest.

(b) *Nonrestrictive use of brand name or equal specifications.* Unless otherwise provided in the solicitation, the name of a certain brand, make or manufacturer conveys the general style, type, character, and quality of the articles desired, and any article which the City in its sole discretion determines to be the equal of that specified, considering quality, workmanship, economy of operation, and suitability for the purpose intended, shall be accepted.

(c) *Competition.* The purchasing agent shall seek to identify sources from which the designated brand name or equal item or items can be obtained and shall solicit such sources to achieve whatever degree of price competition is practicable. If only one (1) source can supply the requirement, the procurement shall be made under [section 17-82](#).

(Ord. No. 13-02, 6-10-02)

**Sec. 17-123. - Brand name only specifications.**

(a) Brand name only specifications may be used when it is determined in writing that (1) a particular brand is required to be compatible with operation or maintenance requirements of existing supplies owned or leased by the City; or (2) only the identified brand name item will satisfy the City's needs.

(b) *Competition.* The purchasing agent shall seek to identify sources from which the designated brand name or equal item or items can be obtained and shall solicit such sources to achieve whatever degree of price competition is practicable. If only one (1) source can supply the requirement, the procurement shall be made under [section 17-82](#).

(Ord. No. 13-02, 6-10-02)

**DIVISION 3. - BONDS AND BID SECURITY**

**Sec. 17-136. - Bid security.**

(a) *Requirement for bid security.*

- (1) Bid security shall be required for all construction contracts where performance security is required.
- (2) At the discretion of the purchasing agent bid security may be required for other contracts.
- (3) Where bid security is required, a successful bidder shall forfeit such security upon failure to enter into a contract within the time specified in the Invitation for Bids or contract award.

(b) *Form of security.* Bid security shall be in the form of a bond provided by a surety company authorized to do business in this State, or the equivalent in cash, letter of credit, or in such other form satisfactory to the City.

(c) *Amount of bid security.* Bid security for a construction contract shall be in an amount equal to at least five percent (5%) of the amount of the bid. Bid security for other than a construction contract shall be in such amount as is determined by the purchasing agent to sufficiently guarantee that the bidder to whom the contract is awarded will enter into the contract for the work described in the bid.

(d) *Rejection of bids for noncompliance with bid security requirements.* When the invitation for bids requires security, noncompliance requires that the bid be rejected, unless it is determined in writing that such noncompliance is insubstantial.

(e) *Withdrawal of bids.* If a bidder is permitted to withdraw a bid before award, or is excluded from the competition prior to award, no action shall be taken against the bidder or the bid security.

(Ord. No. 13-02, 6-10-02)

#### **Sec. 17-137. - Contract performance and payment bonds.**

(a) When required, amounts. When a construction contract is awarded the following bonds or other security, in a form satisfactory to the City, shall be delivered to the City and shall become binding on the parties upon the execution of the contract:

(1) A performance bond payable to the City, executed by a surety company authorized to do business in this State, or the equivalent in cash or other security, conditioned upon the faithful performance of the contract, including all warranties and guarantees. The bond or other security shall be in an amount equal to one hundred percent (100%) of the price specified in the contract; and

(2) A payment bond, executed by a surety company authorized to do business in this State, or the equivalent in cash, letter of credit, or other security satisfactory to the City, for the protection of all persons supplying labor and materials, including lessors of equipment to the extent of the fair rental value thereof, to the contractor or its subcontractors for the performance of the work provided for in the contract.

a. For a contract exceeding one hundred thousand dollars (\$100,000.00) the bond or other security shall be in an amount equal to one hundred percent (100%) of the price specified in the contract.

b. For a contract exceeding twenty-five thousand dollars (\$25,000.00) but not exceeding one hundred thousand dollars (\$100,000.00) the bond or other security shall be in an amount equal to fifty percent (50%) of the price specified in the contract.

c. No payment bond is required for a contract not exceeding twenty-five thousand dollars (\$25,000.00) unless a written determination is made that a payment bond is appropriate under the circumstances. Such a bond shall be in an amount not to exceed fifty percent (50%) of the contract price.

(b) *Certification of payments.* Any contractor, prior to receiving a progress or final payment under a contract covered hereunder, shall certify in writing that such contractor has made payment from the proceeds of prior payments, and that such contractor will make timely payments from the proceeds of the progress or final payment then due such contractor, to such contractor's subcontractors and suppliers in accordance with such contractor's contractual arrangement with them.

(c) *Waiver or reduction of requirement for bonds.* The purchasing agent may waive or reduce, in writing, the requirement for performance bonds for construction contracts under twenty-five thousand dollars (\$25,000.00).

(d) *Maintenance bond.* Contract specifications may require security in an amount determined by the purchasing agent to adequately cover reasonable maintenance, repair, or replacement costs during the contract warranty or guarantee period.

(Ord. No. 13-02, 6-10-02)



**Sec. 17-138. - Additional bonds.**

Nothing in this article shall be construed to limit the authority of the City to require any additional bonds or other security in addition to, or in cases other than, those specified.

(Ord. No. 13-02, 6-10-02)

**ARTICLE VI. - ETHICS IN CONTRACTING**

**Sec. 17-151. - Multiple bidding.**

(a) Unless multiple or alternate bids are requested in the solicitation, more than one (1) bid or proposal received in response to a single solicitation from a business, including any affiliate, under the same or different names will be rejected.

(b) Reasonable grounds for believing that a bidder or offeror is interested in more than one bid or proposal for a solicitation both as a bidder or offeror and as a subcontractor for another bidder or offeror, will result in rejection of all bids or proposals in which the bidder or offeror is interested. However, a business acting only as a subcontractor may be included as a subcontractor for two or more bidders or offerors submitting a bid or proposal for the work.

(c) Bidders or offerors rejected under the above provisions shall be disqualified if they respond to a re-solicitation for the same work.

(d) The City Manager may waive the provisions in subsection (b) of this section upon a written determination that the City's interest would be best served by such a waiver.

(e) Amount of liability for damages. A person who enters into a contract with the City after engaging in collusion with another person for the purpose of defrauding the City shall be liable for damages equal to three (3) times the value of the loss to the City which is attributable to the collusion.

(f) All documents involved in any procurement in which collusion is suspected shall be retained until the City Attorney approves their destruction.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 5, 6-13-11)

**Sec. 17-152. - Collusive bidding.**

(a) *Notification, rejection of bids or proposals.* When collusion is suspected among any bidders or offerors, any or all bids or proposals may be rejected and a written notice of such suspicion shall be transmitted to the City Attorney.

(b) *Retention of documents.* All documents involved in any procurement in which collusion is suspected shall be retained until the City Attorney approves their destruction.

(c) *Amount of liability for damages.* A person who enters into a contract with the City after engaging in collusion with another person for the purpose of defrauding the City shall be liable for damages equal to three (3) times the value of the loss to the City which is attributable to the collusion.

(Ord. No. 13-02, 6-10-02)

**Sec. 17-153. - Illegal gifts and kickbacks.**

(a) Gifts. A bidder, offeror, or contractor must not make or offer to make a gift to a public official or employee which the public official or employee is prohibited from accepting under [chapter 16](#).

(b) No person shall demand or receive anything of value in return for an agreement not to compete on a public contract.

(c) A person must not:

(1) Provide, attempt to provide, or offer to provide a kickback;

(2) Solicit, accept, or attempt to accept a kickback;

(3) Claim that the unlawfully induced contract or subcontract fulfills any legal, regulatory, or contractual requirement.

(d) If a person makes a gift, kickback or other prohibited payment as described in this section, the amount thereof shall be conclusively presumed to have been included in the price of the prime contract or the subcontract and ultimately borne by the City and will be recoverable from both the maker and recipient. Recovery from one offending party shall not preclude recovery from other offending parties. The City may offset the amount of any gift, kickback, or other payment from any sum owed to the prime contractor by the City.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 5, 6-13-11)

#### **Sec. 17-154. - Split purchasing/sale prohibited.**

No purchase or sale shall be divided for the purpose of evading the provisions of this chapter.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 5, 6-13-11)

**Editor's note—** Ord. No. 9-11, § 5, adopted June 13, 2011, repealed the former [section 17-154](#) in its entirety, which pertained to authority to debar contractors and derived from Ord. No. 13-02, adopted June 10, 2002. Subsequently, Ord. No. 9-11 redesignated the former sections [17-155](#)—17-158 as sections [17-154](#)—17-157. The historical notation of these sections has been preserved for reference purposes.

#### **Sec. 17-155. - City official/employee conflict of interest.**

(a) The provisions of [Chapter 16](#) (Public Ethics) shall be applicable to this Article.

(b) No City official or employee shall participate in any procurement, except in the exercise of an administrative or ministerial duty which does not affect the disposition or decision with respect to it, when the official or employee knows that the official or employee or any member of the official's or employee's immediate family has a financial interest pertaining to the procurement. Where an official or employee or any member of the official's or employee's immediate family holds a financial interest in a blind trust, the official or employee shall not be deemed to have a conflict of interest with regard to matters pertaining to that financial interest, provided that the existence of the blind trust has been disclosed in writing to the City Manager.

(c) Upon discovery of an actual or potential conflict of interest, the official or employee shall promptly file a written statement of disqualification and shall withdraw from further participation in the transaction involved.

(d) For the purposes of this section, a person who owns less than three percent (3%) of the stock of any publicly held corporation listed on a national stock exchange shall not be considered to be financially interested in that corporation.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 5, 6-13-11)

**Note—** See editor's note at [section 17-154](#).

#### **Sec. 17-156. - Disclosure of subsequent employment.**

No public employee or former public employee having official responsibility for procurement transactions shall accept employment with any bidder, offeror or contractor with whom the employee or former employee dealt in an

official capacity concerning procurement transactions for a period of one (1) year from the cessation of employment by the City unless the employee or former employee, provides written notification to, and obtains written approval from, the City Manager prior to commencement of employment by that bidder, offeror or contractor.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 5, 6-13-11)

**Note**— See editor's note at [section 17-154](#).

#### **Sec. 17-157. - Remedies; penalties.**

In addition to any other penalties provided by State or City law:

- (1) Any contract in violation of the provisions of this Article VI shall be voidable at the option of the City; and
- (2) Any person responsible for the making of a contract in willful violation of the provisions of sections [17-152](#), [17-153](#), or [17-155](#) shall be guilty of a misdemeanor.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 5, 6-13-11)

**Note**— See editor's note at [section 17-154](#).

### **ARTICLE VII. - PROTESTS AND DEBARMENT<sup>[2]</sup>**

#### **Sec. 17-171. - Protests.**

(a) *Right to protest.* Any actual or prospective bidder, offeror, or contractor who is aggrieved in connection with the solicitation or award of a formal contract may protest to the purchasing agent. All protests shall be submitted in writing and shall include documentary support for the protest. Failure of the protester to respond in a timely manner to requests for information shall result in the dismissal of the protest.

(b) *Time for submitting protest.* A protest shall be submitted in writing and received within five (5) business days after such aggrieved person knew or should have known of the facts giving rise to the protest. In no event shall a protest be submitted subsequent to the execution of a binding contract with the successful bidder or offeror. It is the obligation of the bidder or offeror to determine the status of any contract award.

(c) *Stay of procurements during protests.* In the event of a timely protest under subsection (b) of this section, the procurement process shall not proceed further until the purchasing agent has rendered a decision on the protest, unless the City Manager makes a written determination that proceeding with the procurement process without delay, including the awarding of a contract, is necessary to protect substantial interests of the City. The purchasing agent shall notify all affected bidders or offerors of the filing of the protest and the opportunity to submit any information relevant to the protest to the purchasing agent.

(d) *Decision.* The purchasing agent shall issue a written decision on the protest within five (5) business days of the submission of the protest. The decision shall be provided to the protester and copies provided to any other intervening party.

(e) *Appeal.* The decision of the purchasing agent shall be final and conclusive unless within three (3) business days from the receipt of the written decision, the protester or any other person adversely affected by the purchasing agent's decision delivers a written appeal to the City Manager. The City Manager shall issue a written decision as soon as practicable, which decision shall be final and binding.

(f) *Remedies.* Where a protest is sustained appropriate relief shall be afforded when practicable, except that a protestor shall not be entitled to recover costs incurred in connection with the solicitation where the contract was awarded to another bidder or offeror.

(Ord. No. 13-02, 6-10-02)

**Sec. 17-172. - Appeal of determination of nonresponsibility.**

A decision of the purchasing agent as to the nonresponsibility of a bidder or offeror may be appealed to the City Manager within three (3) business days after the date of the decision. The appeal shall be made in writing and contain in detail all information and documentation in support of the appeal. The City Manager shall issue a written decision as soon as practicable, which decision shall be final and binding.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 6, 6-13-11)

**Editor's note**— Ord. No. 9-11, § 6, adopted June 13, 2011, repealed the former [section 17-172](#) in its entirety, which pertained to appeal of decision to debar and derived from Ord. No. 13-02, adopted June 10, 2002. Subsequently, Ord. No. 9-11 redesignated the former sections [17-173](#)—17-175 as sections [17-172](#)—17-174. The historical notation of these sections has been preserved for reference purposes.

**Sec. 17-173. - Contract disputes.**

(a) Contractors must first attempt to resolve all contract disputes with the using department, and thereafter with the purchasing agent.

(b) Unresolved contract disputes may be submitted to the City Manager for a decision. All disputes must be submitted in writing with supporting documentation.

(c) The City Manager shall conduct, or cause to be conducted, such hearing as deemed appropriate under the circumstances and shall issue a decision in writing, which decision shall be furnished to the contractor. At the request of a contractor the City Manager shall retain an independent hearing officer to conduct a due process evidentiary hearing and to make a recommendation to the City Manager. The contractor and the City shall share equally the cost of the hearing officer's fee and all other expenses related to the hearing. Each party shall be responsible for all costs associated with the presentation of its side of the dispute.

(d) The City Manager's decision shall be final and binding.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 6, 6-13-11)

**Note**— See editor's note at [section 17-172](#).

**Sec. 17-174. - Appeals from City Manager's decisions.**

Any person aggrieved by a decision of the City Manager pursuant to this chapter may appeal such decision to the Circuit Court for Montgomery County in accordance with the provisions of the Maryland Rules governing administrative appeals, except that a contractor must request a hearing before an independent hearing officer prior to appealing the City Manager's decision in a contract dispute pursuant to [section 17-174](#). The aggrieved party and the City may appeal the decision of the Circuit Court to the Court of Special Appeals.

(Ord. No. 13-02, 6-10-02; Ord. No. 9-11, § 6, 6-13-11)

**Note**— See editor's note at [section 17-172](#).

**Sec. 17-175. - Authority to debar or suspend contractors.**

(a) After reasonable notice to the person involved and reasonable opportunity for that person to be heard, the purchasing agent, after consulting with the City Attorney is authorized to debar a person for cause from consideration for award of contracts. The debarment shall be for a period of not more than two (2) years.

(b) The causes for debarment include:

- (1) Conviction for commission of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract, or in the performance of such contract or subcontract;
- (2) Conviction under State or Federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or any other offense indicating a lack of business integrity or business honesty which currently, seriously, and directly affects responsibility as a City contractor;
- (3) Conviction under State or Federal antitrust statutes arising out of the submission of bids or proposals;
- (4) Violation of contract provisions, as set forth below, of a character which is regarded to be so serious as to justify debarment action:

- a. Deliberate failure without good cause to perform in accordance with the specifications or within the time limit provided in the contract;

- b. A recent record of failure to perform or of unsatisfactory performance in accordance with the terms of one (1) or more contracts, provided that failure to perform or unsatisfactory performance caused by acts beyond the control of the contractor shall not be considered to be a basis for debarment.

- (5) Any other cause determined to be so serious and compelling as to affect responsibility as a City contractor, including debarment by another governmental entity for any cause listed in this chapter;

- (6) Violation of [Chapter 16](#) (Public Ethics) of this Code or any provision of this chapter.

(c) Decision to debar. The purchasing agent shall issue a written decision to debar, which shall be mailed or otherwise furnished to the debarred or suspended person. A decision to debar may be appealed to the City Manager in accordance with [section 17-172](#).

(Ord. No. 9-11, § 6, 6-13-11)

#### **Sec. 17-176. - Appeal of decision to debar.**

A decision of the purchasing agent to debar a contractor may be appealed to the City Manager within five (5) business days after the date of the decision. The appeal shall be made in writing and contain in detail all information and documentation in support of the appeal. The City Manager shall issue a written decision as soon as practicable, which decision shall be final and binding.

## Appendix 2 – File Review Checklists

### RFQ Checklist Informal Solicitation (\$3,001-\$5,000)

| City of Rockville   | Contractor:  |    |   |    |          |
|---|--|----|---|----|----------|
| Reviewer:   | PO Number:   |    |   |    |          |
| Date Reviewed:  | Description:   |    |   |    |          |
| Award Date:   | Award Amount: \$   |    |   |    |          |
| General Observations:   |  |    |   |    |          |
| Element   | Basic Requirement<br>City Code Ch.<br>17 or<br>Purchasing<br>Guide | ND | D | NA | Comments |
| Request for Quotation Number from Purchasing  | Purchasing Guide   |    |   |    |          |
| Specifications and Quote Form   | Purchasing Guide   |    |   |    |          |
| Approval of Quote Form by Purchasing  | Purchasing Guide   |    |   |    |          |
| <b>Award</b><br>The award shall be made to the lowest responsive and responsible supplier. The name of the person submitting the bid, quotation, proposal, or offer and the date and amount of each bid, quotation or offer shall be recorded and maintained as part of the contract file.<br><br><i>3 Telephone Quotes Required-review documentation of quotes received and tabulation of quotes received.</i> | Sec. 17-63 b   |    |   |    |          |
| Evidence of Quote Posted on City Website and eMaryland Marketplace  | Purchasing Guide   |    |   |    |          |
| Purchasing Review and Approval of Tabulation and Award Recommendation   | Purchasing Guide   |    |   |    |          |

## Best Practices

| Element  | Basic Requirement<br>City Code Ch.<br>17 or<br>Purchasing<br>Guide | ND | D | NA | Comments |
|--|--|----|---|----|----------|
| Signed Contract Document   | Purchasing<br>Guide  |    |   |    |          |
| Evidence of Posting of Award   | Purchasing<br>Guide  |    |   |    |          |
| Executed AMS Purchase Order  | Purchasing<br>Guide  |    |   |    |          |
| Certificate of Insurance <i>if services are to be provided on City property.</i> | Purchasing<br>Guide  |    |   |    |          |

| Element                          | Best Practice Source | Included | Not Included | N/A | Comments |
|----------------------------------|----------------------|----------|--------------|-----|----------|
| Documentation of Market Research | FAR                  |          |              |     |          |
| Independent Cost Estimate        | FAR,<br>4220.1F      |          |              |     |          |
| Cost/Price Analysis              | FAR,<br>4220.1F      |          |              |     |          |
| Evaluation of Options            | FAR,<br>4220.1F      |          |              |     |          |

## Rider Contract Checklist Cooperative Procurements

| City of Rockville  | Contractor:  |    |   |    |          |
|--|--|----|---|----|----------|
| Reviewer:  | PO Number:   |    |   |    |          |
| Date Reviewed:   | Description:   |    |   |    |          |
| Award Date:  | Award Amount: \$   |    |   |    |          |
| General Observations:  |  |    |   |    |          |
| Element  | Basic Requirement<br>City Code Ch. 17 or<br>Purchasing Guide | ND | D | NA | Comments |
| Copy of Solicitation, Contract, and or Purchase Order Including All Amendments Issued by the Public Entity                                 | Purchasing Guide and Sec. 17-71                              |    |   |    |          |
| AMS Requisition  | Purchasing Guide   |    |   |    |          |
| Determination that Contract is "Rideable"  | Purchasing Guide   |    |   |    |          |
| Approval<br><i>Purchasing Manager: \$3,000-\$30,000</i><br><i>City Manager: \$30,000-\$100,000</i><br><i>Mayor and Council: \$100,000+</i> | Purchasing Guide   |    |   |    |          |
| Signed Contract Document   | Purchasing Guide   |    |   |    |          |
| Insurance and Bonds as Required  | Purchasing Guide   |    |   |    |          |
| Executed AMS Purchase Order  | Purchasing Guide   |    |   |    |          |

### Best Practices

| Element                            | Best Practice Source | Included | Not Included | N/A | Comments |
|------------------------------------|----------------------|----------|--------------|-----|----------|
| Independent Cost Estimate          | FAR, 4220.1F         |          |              |     |          |
| Price Reasonableness Determination | 4220.1F              |          |              |     |          |



**Sole Source Checklist  
Non-Competitive Purchases**

| City of Rockville  |  | Contractor:      |   |    |          |
|--|--|------------------|---|----|----------|
| Reviewer:  |  | PO Number:       |   |    |          |
| Date Reviewed:   |  | Description:     |   |    |          |
| Award Date:  |  | Award Amount: \$ |   |    |          |
| General Observations:  |  |                  |   |    |          |
| Element  | Basic Requirement<br>City Code Ch. 17 or<br>Purchasing Guide | ND               | D | NA | Comments |
| Sole Source Form Submitted to Purchasing Manager   | Purchasing Guide and Sec. 17-82                              |                  |   |    |          |
| Approval<br><i>Purchasing Manager: \$3,000-\$30,000</i><br><i>City Manager: \$30,000-\$100,000</i><br><i>Mayor and Council: \$100,000+</i> | Purchasing Guide   |                  |   |    |          |
| Negotiation Documentation  | Purchasing Guide   |                  |   |    |          |
| Signed Contract Document   | Purchasing Guide   |                  |   |    |          |
| Executed AMS Purchase Order  | Purchasing Guide   |                  |   |    |          |

## Best Practices

| Element  | Best Practice Source | Included | Not Included | N/A | Comments |
|--|----------------------|----------|--------------|-----|----------|
| Documentation of Market Research   | FAR                  |          |              |     |          |
| Independent Cost Estimate  | FAR, 4220.1F         |          |              |     |          |
| Cost and Price Analysis  | FAR, 4220.1F         |          |              |     |          |
| Evaluation of Options  | FAR, 4220.1F         |          |              |     |          |
| <b>Advance Payment Provisions</b><br>The contractor did not receive an advance payment utilizing funds and the contract does not contain advance payment provisions or, if it did, prior written concurrence was obtained.                                   | 4220.1F              |          |              |     |          |
| <b>Time and Materials Provisions</b><br>This is a time and materials contract; the grantee determined that no other type of contract is suitable; and the contract specifies a ceiling price.<br><br>If this is not a time and materials contract, check NA. | 4220.1F              |          |              |     |          |
| <b>Change Orders</b>   |                      |          |              |     |          |
| In-House Estimate Prepared   | 4220.1F              |          |              |     |          |
| Project Manager Approval   | Other                |          |              |     |          |
| Scope Meeting Held   | Other                |          |              |     |          |

|  |                      |          |              |     |          |
|--|----------------------|----------|--------------|-----|----------|
| Work Authorized with Contract Scope                                    | 4220.1F              |          |              |     |          |
| Scope of Work Adequate for Bidding                                     | 4220.1F              |          |              |     |          |
| Element  | Best Practice Source | Included | Not Included | N/A | Comments |
| Change Orders Continued  |                      |          |              |     |          |
| Contractor Price Includes Impact Costs, Price                          | 4220.1F              |          |              |     |          |
| Cost Analysis Conducted  | 4220.1F              |          |              |     |          |
| If Price > 10% of ICE, rationale provided                              | Other                |          |              |     |          |
| Negotiation Memorandum   | Other                |          |              |     |          |
| Written Record of Change Documented                                    | 4220.1F              |          |              |     |          |
| Signed Modification on File  | 4220.1F              |          |              |     |          |
| Evidence of Approval Prior to Initiation of Changed Work (if required) | Other                |          |              |     |          |
| Notice to Proceed on File  | Other                |          |              |     |          |
| No Evidence of Arbitrary Action  | 4220.1F              |          |              |     |          |

Note:

Additional Requirement for Sole Source purchases:

A record of sole source procurements shall be maintained that lists each contractor's name, the amount and type of each contract, a listing of the item procured under each contract and the reasons justifying the sole source procurement.

*The purchasing agent shall submit to the City Manager an annual report of all sole source procurements in excess of \$30,000.*

## RFP Checklist Competitive Sealed Proposal

| City of Rockville  | Contractor:  |    |   |    |          |
|--|--|----|---|----|----------|
| Reviewer:  | PO Number:   |    |   |    |          |
| Date Reviewed:   | Description:   |    |   |    |          |
| Award Date:  | Award Amount: \$   |    |   |    |          |
| General Observations:  |  |    |   |    |          |
| Element  | Basic Requirement<br>City Code Ch. 17 or<br>Purchasing Guide | ND | D | NA | Comments |
| <b>AMS Requisition with Estimated Value of Purchase</b>  | Purchasing Guide   |    |   |    |          |
| <b>Formal Solicitation</b><br><br>Formal contracts may be awarded by competitive sealed proposals where the purchasing agent, in consultation with the using department, determines that competitive sealed bidding is either not practicable or not advantageous to the City.<br><br>A written justification for utilizing seal proposals shall be submitted to the Awarding Authority before any resulting contract is awarded <i><b>except</b></i> no justification is required for <i>professional services, insurance, and design-build projects</i> .                                | Sec. 17-62   |    |   |    |          |
| <b>Copy of Specification</b>   | Sec 17-61 b  |    |   |    |          |
| <b>Brand Name or Equal Specifications</b><br><br>Brand name or equal specifications may be used when the purchasing agent determines in writing that:<br><br>No other design or performance specification or qualified products list is available; or<br><br>Time does not permit the preparation of another form of purchase description, not including a brand name specification; or<br><br>The nature of the product or the nature of the City's requirements makes use of a brand name or equal specification suitable for procurement; or<br><br>Use is in the City's best interest. | Sec 17-122   |    |   |    |          |

| Element  | Basic Requirement<br>City Code Ch.<br>17 | ND | D | NA | Comments |
|--|--|----|---|----|----------|
| <b>Brand Name Only Specifications</b><br><br>Brand name only specifications may be used when it is determined in writing that (1) a particular brand is required to be compatible with operation or maintenance requirements of existing supplies or (2) only the identified brand name will satisfy that City's needs.  | Sec 17-123                               |    |   |    |          |
| <b>Request for Proposal; Evaluating Factors</b><br><br>The purchasing agent shall issue a written RFP indicating in general terms that which is sought to be procured, specifying the relative importance of price and other factors which will be used in evaluating the proposal, and applicable contractual terms and conditions, including any unique capabilities or qualifications which will be required of the contractor. | Sec. 17-62 c                             |    |   |    |          |
| <b>Documentation of Advertisement</b><br><br>Public notice of bids shall be at least fifteen (15) days prior to the date set forth therein for the opening of bids, unless the purchasing agent determines, in writing, that the circumstances require a shorter notice period.  | Sec. 17-61 c                             |    |   |    |          |
| <b>List of Selection Committee Members</b><br><br>Should list:<br><br>Name and title of each member<br><br>Team Leader and name/title  | Purchasing Guide                         |    |   |    |          |
| <b>Ranking of Proposals; Negotiation; Award</b><br><br>The purchasing agent in consultation with the using department shall evaluate the final proposals based on criteria contained in the RFP and rank in order of preference the most qualified offerors.<br><br><i>Documentation of Proposal Evaluation</i>  | Sec. 17-62 h                             |    |   |    |          |
| Element  | Basic Requirement<br>City Code Ch.<br>17 | ND | D | NA | Comments |

|  |                                    |    |   |    |          |
|--|------------------------------------|----|---|----|----------|
| <b>Negotiation; Award</b><br><br>The purchasing agent shall negotiate a contract with the top-ranked offeror. If the purchasing agent is unable to negotiate a satisfactory contract with the top-ranked offeror the purchasing agent may thereafter enter into negotiations with the next highest ranked offeror, etc. The contract shall be awarded to the highest ranked offeror with whom a satisfactory contract has been negotiated. If at any time during the process it is determined in writing that only one offeror is fully qualified, or that one offeror is clearly more highly qualified than others under consideration, a contract may be negotiated and awarded to that offeror. | Sec. 17-62 h                       |    |   |    |          |
| <b>Bid Security</b><br><br>Bid security shall be required for all construction contracts where performance security is required.<br><br>Bid security for construction contracts shall be in an amount equal to at least five percent (5%) of the amount of the bid.  | Sec. 17-136                        |    |   |    |          |
| <b>Recommendation to Purchasing Manager, City Manager or Prepared Agenda for Mayor and Council</b><br><br>\$30,000-\$99,999 needs approval by Purchasing Manager and City Manager in Memo.<br><br>\$100,000 needs approval by Mayor and Council in Prepared Agenda.  | Purchasing Guide                   |    |   |    |          |
| <b>Single Bid</b><br><br>Where only a single bid received and the price is not acceptable to the City, the City may either negotiate with the bidder for a more acceptable price or reject the bid.  | Sec 17-61 I                        |    |   |    |          |
| <b>Determination of Responsibility</b><br><br>A determination shall be made as to the capability of the bidder or offeror to fully perform the contract requirements in all respects. Where competitive sealed bids or competitive sealed proposals are used any determination of nonresponsibility shall be made in writing.  | Sec 17-67 a                        |    |   |    |          |
| Element  | Basic Requirement City Code Ch. 17 | ND | D | NA | Comments |
| Evidence of Posting of Intent to Award   | Purchasing Guide                   |    |   |    |          |

|   |                  |  |  |  |  |
|---|------------------|--|--|--|--|
| <b>Signed Contract Document</b><br>Includes signature by Contractor, City Attorney, City Manager, and City Clerk.   | Purchasing Guide |  |  |  |  |
| <b>Evidence of Posting of Award</b>   | Purchasing Guide |  |  |  |  |
| <b>Executed AMS Purchase Order</b>  | Purchasing Guide |  |  |  |  |
| <b>Contract Performance and Payment Bonds</b><br>When construction contract is awarded the following bonds shall be delivered to the City and shall become binding on the parties upon execution of the contract:<br><b>Performance Bond:</b> Shall be in the amount equal to one hundred percent (100%) of the price specified in the contract<br><b>Payment Bond:</b> For contracts exceeding \$100,000 bond shall be equal to one hundred percent (100%) of price specified in contract. For \$25,000-\$100,000 bond shall equal fifty percent (50%) of the contract. No payment bond is required for contract not exceeding \$25,000 unless written determination is made that a payment bond is appropriate. | Sec. 17-137      |  |  |  |  |
| <b>Certificate of Insurance <i>if services are to be provided on City property.</i></b>   | Purchasing Guide |  |  |  |  |

## Best Practices

| Element  | Best Practice Source | Included | Not Included | N/A | Comments |
|--|----------------------|----------|--------------|-----|----------|
| Documentation of Market Research   | FAR                  |          |              |     |          |
| Independent Cost Estimate  | FAR, 4220.1F         |          |              |     |          |
| Cost/Price Analysis  | FAR, 4220.1F         |          |              |     |          |
| Evaluation of Options  | FAR, 4220.1F         |          |              |     |          |
| <b>Advance Payment Provisions</b><br>The contractor did not receive an advance payment utilizing funds and the contract does not contain advance payment provisions or, if it did, prior written concurrence was obtained.                               | 4220.1F              |          |              |     |          |
| <b>Time and Materials Provisions</b><br>This is a time and materials contract; the grantee determined that no other type of contract is suitable; and the contract specifies a ceiling price.<br>If this is not a time and materials contract, check NA. | 4220.1F              |          |              |     |          |
| <b>Change Orders</b>   |                      |          |              |     |          |
| In-House Estimate Prepared   | 4220.1F              |          |              |     |          |
| Project Manager Approval   | Other                |          |              |     |          |
| Scope Meeting Held   | Other                |          |              |     |          |
| Work Authorized with Contract Scope  | 4220.1F              |          |              |     |          |



| Element  | Best Practice Source | Included | Not Included | N/A | Comments |
|--|----------------------|----------|--------------|-----|----------|
| Change Orders Continued  |                      |          |              |     |          |
| Scope of Work Adequate for Bidding                                     | 4220.1F              |          |              |     |          |
| Contractor Price Includes Impact Costs, Price                          | 4220.1F              |          |              |     |          |
| Cost Analysis Conducted  | 4220.1F              |          |              |     |          |
| If Price > 10% of ICE, rationale provided                              | Other                |          |              |     |          |
| Negotiation Memorandum   | Other                |          |              |     |          |
| Written Record of Change Documented                                    | 4220.1F              |          |              |     |          |
| Signed Modification on File  | 4220.1F              |          |              |     |          |
| Evidence of Approval Prior to Initiation of Changed Work (if required) | Other                |          |              |     |          |
| Notice to Proceed on File  | Other                |          |              |     |          |
| No Evidence of Arbitrary Action  | 4220.1F              |          |              |     |          |

**IFB Checklist**  
**Competitive Sealed Bids**

| <b>City of Rockville</b>   | <b>Contractor:</b>   |    |   |    |          |
|--|--|----|---|----|----------|
| <b>Reviewer:</b>   | <b>PO Number:</b>  |    |   |    |          |
| <b>Date Reviewed:</b>  | <b>Description:</b>  |    |   |    |          |
| <b>Award Date:</b>   | <b>Award Amount: \$</b>                                      |    |   |    |          |
| <b>General Observations:</b>   |  |    |   |    |          |
| Element  | Basic Requirement<br>City Code Ch. 17 or<br>Purchasing Guide | ND | D | NA | Comments |
| <b>AMS Requisition with Estimated Value of Purchase</b>  | <b>Purchasing Guide</b>                                      |    |   |    |          |
| <b>Copy of Specification</b>   | <b>Sec 17-61 b</b>   |    |   |    |          |
| <b>Brand Name or Equal Specifications</b><br><br>Brand name or equal specifications may be used when the purchasing agent determines in writing that:<br><br>No other design or performance specification or qualified products list is available; or<br><br>Time does not permit the preparation of another form of purchase description, not including a brand name specification; or<br><br>The nature of the product or the nature of the City's requirements makes use of a brand name or equal specification suitable for procurement; or<br><br>Use is in the City's best interest. | <b>Sec 17-122</b>  |    |   |    |          |
| <b>Brand Name Only Specifications</b><br><br>Brand name only specifications may be used when it is determined in writing that (1) a particular brand is required to be compatible with operation or maintenance requirements of existing supplies or (2) only the identified brand name will satisfy that City's needs.  | <b>Sec 17-123</b>  |    |   |    |          |
| <b>Documentation of Advertisement</b><br><br>Public notice of bids shall be at least fifteen (15) days prior to the date set forth therein for the opening of bids, unless the purchasing agent determines, in writing, that the circumstances require a shorter notice period.  | <b>Sec. 17-61 c</b>  |    |   |    |          |

| Element   | Basic Requirement<br>City Code Ch.<br>17 or<br>Purchasing<br>Guide | ND | D | NA | Comments |
|---|--|----|---|----|----------|
| <b>Bid Opening Documentation</b><br><br>Bids shall be opened publically in the presence of one (1) or more witnesses at the time and place designated in the IFB. The amount of each bid, and such other relevant as is deemed appropriate together with the name of each bidder shall be recorded. | Sec. 17-61 d   |    |   |    |          |
| <b>Bid Evaluation</b><br><br>Bids shall be evaluated based on the requirements set forth in the IFB, which may include criteria to determine acceptability such as inspection, testing, quality, workmanship, delivery, and suitability for a particular purpose.                                   | Sec. 17-61 f   |    |   |    |          |
| <b>Correction or Withdrawal of Bids; Cancellation of Awards</b><br><br>All decisions to permit the correction or withdrawal of bids or cancellation of an award based on bid mistakes, shall be supported by a written determination made by purchasing agent.                                      | Sec. 17-61 h   |    |   |    |          |
| <b>Bid Security</b><br><br>Bid security shall be required for all construction contracts where performance security is required.<br><br>Bid security for construction contracts shall be in an amount equal to at least five percent (5%) of the amount of the bid.                                 | Sec. 17-136  |    |   |    |          |
| <b>Recommendation to Purchasing Manager, City Manager or Prepared Agenda for Mayor and Council</b><br><br>\$30,000-\$99,999 needs approval by Purchasing Manager and City Manager in Memo.<br><br>\$100,000 needs approval by Mayor and Council in Prepared Agenda.                                 | Purchasing Guide   |    |   |    |          |
| <b>Contract Award</b><br><br>Contracts shall be awarded to the lowest responsive and responsible bidder whose bid meets the requirements and criteria set forth in the IFB.   | Sec 17-61 i  |    |   |    |          |

| Element   | Basic Requirement<br>City Code Ch.<br>17 or<br>Purchasing<br>Guide | ND | D | NA | Comments |
|---|--|----|---|----|----------|
| <b>Tie Bids</b><br><br>In the case of a tie bid between a local business and a non-local business award shall be made to the local business. If the tie bids are received from two (2) or more local firms or from two (2) non-local firms a drawing shall be conducted. A witness shall be present to verify the drawing and shall certify the results on the bid tabulation sheet.  | <b>Sec 17-61 j</b>   |    |   |    |          |
| <b>Single Bid</b><br><br>Where only a single bid received and the price is not acceptable to the City, the City may either negotiate with the bidder for a more acceptable price or reject the bid.   | <b>Sec 17-61 l</b>   |    |   |    |          |
| <b>Determination of Responsibility</b><br><br>A determination shall be made as to the capability of the bidder or offeror to fully perform the contract requirements in all respects. Where competitive sealed bids or competitive sealed proposals are used any determination of nonresponsibility shall be made in writing.   | <b>Sec 17-67 a</b>   |    |   |    |          |
| <b>Evidence of Posting of Intent to Award</b>   | <b>Purchasing Guide</b>  |    |   |    |          |
| <b>Signed Contract Document</b><br><br>Includes signature by Contractor, City Attorney, City Manager, and City Clerk.   | <b>Purchasing Guide</b>  |    |   |    |          |
| <b>Evidence of Posting of Award</b>   | <b>Purchasing Guide</b>  |    |   |    |          |
| <b>Executed AMS Purchase Order</b>  | <b>Purchasing Guide</b>  |    |   |    |          |
| <b>Contract Performance and Payment Bonds</b><br><br>When construction contract is awarded the following bonds shall be delivered to the City and shall become binding on the parties upon execution of the contract:<br><br><b>Performance Bond:</b> Shall be in the amount equal to one hundred percent (100%) of the price specified in the contract<br><br><b>Payment Bond:</b> For contracts exceeding \$100,000 bond shall be equal to one hundred percent (100%) of price specified in contract. For \$25,000-\$100,000 bond shall equal fifty percent (50%) of the contract. No payment bond is required for contract not | <b>Sec. 17-137</b>   |    |   |    |          |

|   |                  |  |  |  |  |
|---|------------------|--|--|--|--|
| exceeding \$25,000 unless written determination is made that a payment bond is appropriate. |                  |  |  |  |  |
| Certificate of Insurance <i>if services are to be provided on City property.</i>            | Purchasing Guide |  |  |  |  |

## Best Practices

| Element                          | Best Practice Source | Included | Not Included | N/A | Comments |
|----------------------------------|----------------------|----------|--------------|-----|----------|
| Documentation of Market Research | FAR                  |          |              |     |          |
| Independent Cost Estimate        | FAR, 4220.1F         |          |              |     |          |
| Cost/Price Analysis              | FAR, 4220.1F         |          |              |     |          |
| Evaluation of Options            | FAR, 4220.1F         |          |              |     |          |
| Change Orders                    |                      |          |              |     |          |
| In-House Estimate Prepared       | 4220.1F              |          |              |     |          |
| Project Manager Approval         | Other                |          |              |     |          |
| Scope Meeting Held               | Other                |          |              |     |          |
| Element                          | Best Practice Source | Included | Not Included | N/A | Comments |
| Documentation of Market Research | FAR                  |          |              |     |          |
| Independent Cost Estimate        | FAR, 4220.1F         |          |              |     |          |
| Cost/Price Analysis              | FAR, 4220.1F         |          |              |     |          |
| Evaluation of Options            | FAR, 4220.1F         |          |              |     |          |
| Change Orders                    |                      |          |              |     |          |
| In-House Estimate Prepared       | 4220.1F              |          |              |     |          |

|                          |       |  |  |  |  |
|--------------------------|-------|--|--|--|--|
| Project Manager Approval | Other |  |  |  |  |
| Scope Meeting Held       | Other |  |  |  |  |

| Element  | Best Practice Source | Included | Not Included | N/A | Comments |
|--|----------------------|----------|--------------|-----|----------|
| Change Orders Continued  |                      |          |              |     |          |
| Work Authorized with Contract Scope                                    | 4220.1F              |          |              |     |          |
| Scope of Work Adequate for Bidding                                     | 4220.1F              |          |              |     |          |
| Contractor Price Includes Impact Costs, Price                          | 4220.1F              |          |              |     |          |
| Cost Analysis Conducted  | 4220.1F              |          |              |     |          |
| If Price > 10% of ICE, rationale provided                              | Other                |          |              |     |          |
| Negotiation Memorandum   | Other                |          |              |     |          |
| Written Record of Change Documented                                    | 4220.1F              |          |              |     |          |
| Signed Modification on File  | 4220.1F              |          |              |     |          |
| Evidence of Approval Prior to Initiation of Changed Work (if required) | Other                |          |              |     |          |
| Notice to Proceed on File  | Other                |          |              |     |          |
| No Evidence of Arbitrary Action  | 4220.1F              |          |              |     |          |

## Appendix 3 – Service Level Agreement Form

| SERVICE LEVEL AGREEMENT   |                      |                      |
|---|----------------------|----------------------|
| Objective: To define required elements of service, link requirements to performance measurement and clarify the expectations of customer and user department. This should be used in conjunction with the Annual Budgeting Process. |                      |                      |
| Purchasing Representative: <input type="text"/>   |                      |                      |
| User Group: <input type="text"/>  |                      |                      |
| Description of Service to be Provided:  |                      |                      |
| Service or Product: <input type="text"/>  |                      |                      |
| Response Time Parameters: <input type="text"/>  |                      |                      |
| Lead Time Parameters: <input type="text"/>  |                      |                      |
| Quality Parameters: <input type="text"/>  |                      |                      |
| Cost Reduction Commitment: <input type="text"/>   |                      |                      |
| Communication Channels: <input type="text"/>  |                      |                      |
| Other: <input type="text"/>   |                      |                      |
| Customer / User Responsibilities: <input type="text"/>  |                      |                      |
| Forecasts: <input type="text"/>   |                      |                      |
| Payment parameters: <input type="text"/>  |                      |                      |
| Facilities to be provided: <input type="text"/>   |                      |                      |
| Establishment of Priorities: <input type="text"/>   |                      |                      |
| Other: <u>Technical Direction</u> <input type="text"/>  |                      |                      |
| Problem Escalation:   |                      |                      |
| Escalation Parameters: <input type="text"/>   |                      |                      |
| Key Service Elements:   |                      |                      |
| Description   | Response Desired     | Measurement(s)       |
| Order Turnaround Time   | <input type="text"/> | <input type="text"/> |
| Key Service Elements: (continued)   |                      |                      |
| Description   | Response Desired     | Measurement(s)       |
| Quality: Product is to spec   | <input type="text"/> | <input type="text"/> |
| Invoice Accuracy  | <input type="text"/> | <input type="text"/> |
| MWBE usage  | <input type="text"/> | <input type="text"/> |
| Cost Reduction  | <input type="text"/> | <input type="text"/> |





## Appendix 4 – Supplier Survey

|                             |  |
|-----------------------------|--|
| Supplier Name               |  |
| Respondent Name             |  |
| Telephone Number            |  |
| Email Address               |  |
| Years as a Supplier to City |  |

1. What are the products or services that you currently provide CITY with?

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For each statement below, please place an X in the appropriate column to indicate whether you:

|  | <i>Strongly Disagree</i> | <i>Somewhat Disagree</i> | <i>Somewhat Agree</i> | <i>Agree</i> | <i>Strongly Agree</i> |
|--|--------------------------|--------------------------|-----------------------|--------------|-----------------------|
| 2. The products/services you provide CITY with are highly specialized and there are few substitutes in the market. |                          |                          |                       |              |                       |
| 3. The products/services provided are customized to meet unique CITY requirements.                                 |                          |                          |                       |              |                       |
| 4. CITY regularly seeks your input in defining product/service specifications.                                     |                          |                          |                       |              |                       |
| 5. CITY specifications are accurate enough to adequately price the product or service requested.                   |                          |                          |                       |              |                       |

6. Are there alternate products/services in your offerings that can substitute the ones CITY currently receives from you?

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7. What additional products/services would you like to provide CITY with?

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### Use of value engineering

For each statement below, please place an X in the appropriate column to indicate whether you:

|  | <i>Strongly Disagree</i> | <i>Somewhat Disagree</i> | <i>Somewhat Agree</i> | <i>Agree</i> | <i>Strongly Agree</i> |
|--|--------------------------|--------------------------|-----------------------|--------------|-----------------------|
| 8. When selecting suppliers, CITY is interested in the total cost of ownership.  |                          |                          |                       |              |                       |
| 9. When selecting suppliers, CITY evaluates all relevant costs involved in acquiring, owning, operating, maintaining, and disposing of products. |                          |                          |                       |              |                       |
| 10. CITY helps your company identify ways to reduce the costs of your product/service.   |                          |                          |                       |              |                       |
| 11. CITY has reviewed the functions of your company's products/services and has identified and removed nonessential functions.                   |                          |                          |                       |              |                       |
| 12. CITY has adopted specific measures to reduce future costs.   |                          |                          |                       |              |                       |

### Cost

For each statement below, please place an X in the appropriate column to indicate whether you:

|   | <i>Strongly Disagree</i> | <i>Somewhat Disagree</i> | <i>Somewhat Agree</i> | <i>Agree</i> | <i>Strongly Agree</i> |
|---|--------------------------|--------------------------|-----------------------|--------------|-----------------------|
| 13. CITY seeks your involvement in purchasing plans and future requirements.                  |                          |                          |                       |              |                       |
| 14. CITY has asked for your assistance in reducing its total costs.                           |                          |                          |                       |              |                       |
| 15. CITY is receptive to cost saving ideas from you, and has implemented some of these ideas. |                          |                          |                       |              |                       |
| 16. CITY payment terms have an impact on the prices you charge.                               |                          |                          |                       |              |                       |

17. What else can CITY do to reduce the total cost of products/services received from you?

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18. How can you assist CITY in reducing its total purchase costs?

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## Supplier Performance

For each statement below, please place an X in the appropriate column to indicate whether you:

|   | <i>Strongly Disagree</i> | <i>Somewhat Disagree</i> | <i>Somewhat Agree</i> | <i>Agree</i> | <i>Strongly Agree</i> |
|---|--------------------------|--------------------------|-----------------------|--------------|-----------------------|
| 19. CITY priorities and expectations are clear.   |                          |                          |                       |              |                       |
| 20. CITY priorities and expectations are realistic.   |                          |                          |                       |              |                       |
| 21. CITY provides you with clearly specified dates when they want product shipped or services provided. |                          |                          |                       |              |                       |
| 22. CITY provides you with sufficient lead times to respond to their requirements.                      |                          |                          |                       |              |                       |

23. How might expectations be presented to you more clearly?

24. What can CITY do to improve the lead times offered or responsiveness by your company?

For each statement below, please place an X in the appropriate column to indicate whether you:

|   | <i>Strongly Disagree</i> | <i>Somewhat Disagree</i> | <i>Somewhat Agree</i> | <i>Agree</i> | <i>Strongly Agree</i> |
|---|--------------------------|--------------------------|-----------------------|--------------|-----------------------|
| 25. CITY should measure supplier performance based on:      |                          |                          |                       |              |                       |
| a. Availability of products/services                        |                          |                          |                       |              |                       |
| b. Price of products/services                               |                          |                          |                       |              |                       |
| c. Quality of products/services                             |                          |                          |                       |              |                       |
| d. Ability to customize products/services                   |                          |                          |                       |              |                       |
| e. Ability to react to changes in amounts or specifications |                          |                          |                       |              |                       |
| f. Delivery time  |                          |                          |                       |              |                       |
| g. Ability to react to schedule changes                     |                          |                          |                       |              |                       |
| h. Customer service   |                          |                          |                       |              |                       |

26. What innovative metrics might CITY use to evaluate your company's performance?

For each statement below, please place an X in the appropriate column to indicate whether you:

|  | <i>Strongly Disagree</i> | <i>Somewhat Disagree</i> | <i>Somewhat Agree</i> | <i>Agree</i> | <i>Strongly Agree</i> |
|--|--------------------------|--------------------------|-----------------------|--------------|-----------------------|
|  |                          |                          |                       |              |                       |

|  |  |  |  |  |  |
|--|--|--|--|--|--|
| 27. CITY regularly provides feedback and assistance to improve your company's performance. |  |  |  |  |  |
| 28. CITY recognizes, rewards, and encourage outstanding performance.                       |  |  |  |  |  |

29. In what areas do they not recognize your contribution?

30. What else can CITY do to assist your company in improving its performance?

### Procurement Process Improvement

For each statement below, please place an X in the appropriate column to indicate whether you:

|  | <i>Strongly Disagree</i> | <i>Somewhat Disagree</i> | <i>Somewhat Agree</i> | <i>Agree</i> | <i>Strongly Agree</i> |
|--|--------------------------|--------------------------|-----------------------|--------------|-----------------------|
| 31. CITY purchasing process is effective as compared to other customers.   |                          |                          |                       |              |                       |
| 32. CITY purchasing process incorporates activities that do not add value. |                          |                          |                       |              |                       |

33. What federal or state purchasing requirements make it cumbersome to deal with CITY?

34. What activities could CITY avoid when purchasing your products/services?

35. What activities could your company avoid when providing your products/services?

For each statement below, please place an X in the appropriate column to indicate whether you:

|  | <i>Strongly Disagree</i> | <i>Somewhat Disagree</i> | <i>Somewhat Agree</i> | <i>Agree</i> | <i>Strongly Agree</i> |
|--|--------------------------|--------------------------|-----------------------|--------------|-----------------------|
|--|--------------------------|--------------------------|-----------------------|--------------|-----------------------|

|  |  |  |  |  |  |
|--|--|--|--|--|--|
| 36. The way that CITY has organized its purchasing resources is effective.                         |  |  |  |  |  |
| 37. Compared to other customers, CITY is easier to do business with.                               |  |  |  |  |  |
| 38. CITY conducts its purchasing process in a fair and ethical manner.                             |  |  |  |  |  |
| 39. CITY regularly reviews its purchasing process and seeks your input in improving its processes. |  |  |  |  |  |

40. Where could improvements be made in the purchasing process?

41. What areas of CITY purchasing process do you believe have potential for automation?

For each statement below, please place an X in the appropriate column to indicate whether you:

|   | <i>Strongly Disagree</i> | <i>Somewhat Disagree</i> | <i>Somewhat Agree</i> | <i>Agree</i> | <i>Strongly Agree</i> |
|---|--------------------------|--------------------------|-----------------------|--------------|-----------------------|
| 42. CITY use of credit cards reduces lead times and accelerates payments.   |                          |                          |                       |              |                       |
| 43. CITY process used for procurements under \$3,000 simplifies the acquisition of standard products/services and is effective.                                       |                          |                          |                       |              |                       |
| 44. CITY process used for procurements between \$3,000 and \$5,000 provides suppliers an opportunity to submit reasonably simplified price quotes, bids or proposals. |                          |                          |                       |              |                       |
| 45. CITY competitive sealed bid process:  |                          |                          |                       |              |                       |
| a. Provides clear information on pre-offer conferences.   |                          |                          |                       |              |                       |
| b. Provides clear information on form and instructions for submission of bids.  |                          |                          |                       |              |                       |
| c. Provides clear information on time, date and place of opening.   |                          |                          |                       |              |                       |
| d. Provides clear information on the office where the solicitation document may be reviewed.  |                          |                          |                       |              |                       |
| e. Provides clear information on how CITY will notify bidders of addenda.   |                          |                          |                       |              |                       |
| f. Includes a description of the acquisition and specifications.  |                          |                          |                       |              |                       |
| g. Includes delivery or performance schedule information.   |                          |                          |                       |              |                       |

|   | <i>Strongly<br/>Disagree</i> | <i>Somewhat<br/>Disagree</i> | <i>Somewhat<br/>Agree</i> | <i>Agree</i> | <i>Strongly<br/>Agree</i> |
|---|------------------------------|------------------------------|---------------------------|--------------|---------------------------|
| h. Includes inspection and acceptance requirements.   |                              |                              |                           |              |                           |
| i. Makes solicitation schedules available to all bidders.   |                              |                              |                           |              |                           |
| j. Makes information on deadlines for submissions available to all bidders.                           |                              |                              |                           |              |                           |
| k. Makes information on protest process available to all bidders.                                     |                              |                              |                           |              |                           |
| l. Makes evaluation process and criteria available to all bidders.                                    |                              |                              |                           |              |                           |
| m. Provides suppliers a reasonable opportunity to submit the best price.                              |                              |                              |                           |              |                           |
| 46. CITY competitive sealed proposal process:   |                              |                              |                           |              |                           |
| a. Provides clear information on pre-offer conferences.   |                              |                              |                           |              |                           |
| b. Provides clear information on form and instructions for submission of proposals.                   |                              |                              |                           |              |                           |
| c. Provides clear information on time, date and place of opening.                                     |                              |                              |                           |              |                           |
| d. Provides clear information on the office where the solicitation document may be reviewed.          |                              |                              |                           |              |                           |
| e. Provides clear information on how CITY will notify bidders of addenda.                             |                              |                              |                           |              |                           |
| f. Includes a description of acquisition requirements.  |                              |                              |                           |              |                           |
| g. Includes a statement of work.  |                              |                              |                           |              |                           |
| h. Includes a delivery or performance schedule.   |                              |                              |                           |              |                           |
| i. Includes inspection and acceptance requirements.   |                              |                              |                           |              |                           |
| j. Makes solicitation schedules available to all bidders.   |                              |                              |                           |              |                           |
| k. Makes information on deadlines for submissions available to all bidders.                           |                              |                              |                           |              |                           |
| l. Makes information on protest process available to all bidders.                                     |                              |                              |                           |              |                           |
| m. Makes evaluation process and criteria available to all bidders.                                    |                              |                              |                           |              |                           |
| n. Provides suppliers a reasonable opportunity to discuss expertise and past performance information. |                              |                              |                           |              |                           |
| o. Provides each vendor a reasonable opportunity to submit the most optimal price to CITY.            |                              |                              |                           |              |                           |

## Communication

For each statement below, please place an X in the appropriate column to indicate whether you:

|   | <i>Strongly<br/>Disagree</i> | <i>Somewhat<br/>Disagree</i> | <i>Somewhat<br/>Agree</i> | <i>Agree</i> | <i>Strongly<br/>Agree</i> |
|---|------------------------------|------------------------------|---------------------------|--------------|---------------------------|
| 47. CITY communications with your company are open and effective. |                              |                              |                           |              |                           |

|   |  |  |  |  |  |
|---|--|--|--|--|--|
| 48. CITY communications with your company are timely.   |  |  |  |  |  |
| 49. If you deal with more than one person at CITY, are your interactions consistent and standard from person to person? |  |  |  |  |  |

50. How can communications be improved?

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For each statement below, please place an X in the appropriate column to indicate whether you:

|   | <i>Strongly Disagree</i> | <i>Somewhat Disagree</i> | <i>Somewhat Agree</i> | <i>Agree</i> | <i>Strongly Agree</i> |
|---|--------------------------|--------------------------|-----------------------|--------------|-----------------------|
| 51. The quality of your relationship with CITY is better than your other customers buying similar products or services. |                          |                          |                       |              |                       |
| 52. Your business contacts in CITY Purchasing consistently meet their commitments.                                      |                          |                          |                       |              |                       |

53. In what areas do they fail to meet their commitments?

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For each statement below, please place an X in the appropriate column to indicate whether you:

|   | <i>Adversarial</i> | <i>Collaborative</i> | <i>Arms-Length</i> | <i>Win-Win</i> | <i>Other</i> |
|---|--------------------|----------------------|--------------------|----------------|--------------|
| 54. How would you characterize your relationship with CITY? |                    |                      |                    |                |              |

55. Please indicate why you rated the relationship as indicated above.

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For each statement below, please place an X in the appropriate column to indicate whether you:

|   | <i>Strongly Disagree</i> | <i>Somewhat Disagree</i> | <i>Somewhat Agree</i> | <i>Agree</i> | <i>Strongly Agree</i> |
|---|--------------------------|--------------------------|-----------------------|--------------|-----------------------|
| 56. CITY adequately communicates procurement opportunities.                                       |                          |                          |                       |              |                       |
| 57. Registration on eMaryland Marketplace is simple.  |                          |                          |                       |              |                       |
| 58. eMaryland Marketplace is an effective resource to identify procurement opportunities at CITY. |                          |                          |                       |              |                       |

59. Are you a CITY registered supplier? If not, why?

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### **CITY Purchasing Strategy**

60. What is CITY's purchasing strategy?

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For each statement below, please place an X in the appropriate column to indicate whether you:

|  | <i>Strongly<br/>Disagree</i> | <i>Somewhat<br/>Disagree</i> | <i>Somewhat<br/>Agree</i> | <i>Agree</i> | <i>Strongly<br/>Agree</i> |
|--|------------------------------|------------------------------|---------------------------|--------------|---------------------------|
| 61. CITY purchasing strategy is beneficial for the agency and also for your company. |                              |                              |                           |              |                           |
| 62. CITY contract terms and conditions are appropriate.                              |                              |                              |                           |              |                           |
| 63. Supplier performance management is adequate.                                     |                              |                              |                           |              |                           |

64. Do you have any other clients who are practicing strategic sourcing?

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65. Are any of these government agencies? Please specify which ones.

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66. Have you identified best practices in CITY procurement process?

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67. Do you have any other clients who are exhibiting best practices?

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## Training

68. What types of training and support do you need to provide better service or prices to CITY?

69. In your point of view, what types of training would CITY procurement staff may benefit from?

70. Additional comments:

## Appendix 5 – Glossary of Terms

|             |  |   |
|-------------|--|---|
| <b>CIP</b>  | <b>Capital Improvement Plan</b>                      | A multi-year plan that forecasts spending for anticipated capital projects and equipment purchases. Also called a Capital Improvement Program   |
| <b>CPPB</b> | <b>Certified Professional Public Buyer</b>           | Certification through the UPPCC (Universal Public Procurement Certification Council) <a href="http://www.uppcc.org/certified">http://www.uppcc.org/certified</a>  |
| <b>CPPO</b> | <b>Certified Public Procurement Officer</b>          | Certification through the UPPCC (Universal Public Procurement Certification Council) <a href="http://www.uppcc.org/certified">http://www.uppcc.org/certified</a>  |
| <b>CRM</b>  | <b>Client Relationship Management</b>                | An approach to managing a company's interaction with current and future customers.  |
| <b>CIPS</b> | <b>Chartered Institute of Procurement and Supply</b> | Education and qualification body representing purchasing and supply chain professionals <a href="http://www.cips.org/">http://www.cips.org/</a>   |
| <b>CEU</b>  | <b>Continuing Education Unit</b>                     | Measure used in continuing professional education programs  |
|             | <b>Cooperative Purchasing</b>                        | <ol style="list-style-type: none"> <li>1. The action taken when two or more entities combine their requirements to obtain advantages of volume purchases including administrative savings and other benefits.</li> <li>2. A variety of arrangements whereby two or more public procurement units purchase from the same supplier or multiple suppliers using a single IFB or RFP.</li> <li>3. Cooperative procurement efforts may result in contracts that other entities may "piggyback" (see rider contract)</li> </ol> |
|             | <b>Competitive Sealed Bids</b>                       | Formal procurement method in which award is made to the lowest responsive and responsible bidder, based solely on the response to the criteria set forth in the IFB; does not include discussions or negotiations with bidders. Also see Information for Bid (IFB), Invitation to Bid (ITB)   |
|             | <b>Competitive Sealed Proposals</b>                  | Formal competitive procurement process that solicits proposals from potential providers for goods and services. Price is usually not a primary evaluation factor. Allows for negotiation. Also see Request for Proposals (RFP)  |
|             | <b>Cost analysis</b>                                 | A Cost Analysis is a comparison of offered price to the offeror's own costs and an evaluation of the difference. This analysis evaluates direct costs, indirect costs and profit. It should be completed if price competition is inadequate, if only a sole source is available, or where a modification/change order is required.  |

|         |                                   |   |
|---------|-----------------------------------|---|
| CGI-AMS |                                   | IT system used in the City of Rockville   |
|         | Cycle Time                        | The number of calendar days from receipt of a requisition to issuance of a purchase order or contract.  |
| DBE     | Disadvantaged Business Enterprise | To be certified as a DBE, a firm must be a small business owned and controlled by socially and economically disadvantaged individuals   |
| EPLS    | Excluded Parties List System      | See SAM   |
| EPO     | Emergency Purchase Request/ Order | An emergency condition is defined under the City Code, Section 17-84 as a situation which creates a threat to the public health, welfare or safety. Such condition must create an immediate and serious need for goods, services or construction that cannot be met through normal procurement methods. A copy of the completed form must accompany the requisition document for processing by the Purchasing Division. |
| FTE     | Full Time Equivalent              | Unit that indicates the workload of an employed person.   |
| GSA     | General Services Administration   | GSA provides centralized procurement for the federal government, offering products, services, and facilities that federal agencies need to serve the public. Its policies covering travel, property and management practices promote efficient government operations. <a href="http://www.gsa.gov">http://www.gsa.gov</a>   |
| ICE     | Independent Cost Estimate         | An Independent Cost Estimate (ICE) is a result of research to determine the anticipated cost prior to initiating a procurement. This assists in determining the appropriate project budget and to evaluate the reasonableness or unreasonableness of a bid or proposal.   |
| IFB     | Invitation for Bid                | Formal competitive procurement process to solicit sealed bids. Price is the main evaluating factor. Contract is awarded to the lowest price responsive/responsible bidder. Also known as Invitation to Bid (ITB), Competitive Sealed Bids.  |
| ISM     | Institute for Supply Management   | ISM is a not-for-profit association that provides opportunities for the promotion of the supply management profession and the expansion of professional skills and knowledge.<br><br><a href="https://www.instituteforsupplymanagement.org/">https://www.instituteforsupplymanagement.org/</a>  |
| ITB     | Invitation to Bid                 | Formal competitive procurement process to solicit sealed bids. Also known as Invitation For Bid (IFB), Competitive Sealed Bids  |
| KPI     | Key Performance Indicator         | A measurable value that demonstrates how effectively an organization is achieving key business objectives. Organizations use KPIs to evaluate their success at reaching targets.  |

|               |  |   |
|---------------|--|---|
|               | <b>Master Agreements</b>                                     | The master agreement allows the end user firm fixed pricing for items or services ordered against an established contract, for a specific period of time, without encumbering funds.  |
| <b>MFD</b>    | <b>Minority, Female and Disabled Owned Business</b>          | <p>A minority, female and disabled owned business is defined as one that:</p> <ul style="list-style-type: none"> <li>• Has its principal place of business in the Baltimore and Washington, DC metropolitan statistical area</li> <li>• Is at least 51% owned by a citizen or lawfully admitted permanent resident of the United States who is a/an African American, American Indian/Native American, Asian, Hispanic, Woman and/or Persons with Disabilities</li> </ul>   |
| <b>MRO</b>    | <b>Maintenance, Repair, Operating</b>                        | A supply management term that refers to various commodities that are generally of low value, purchased frequently and available from multiple sources. These items are often assigned to a buying team who specializes in these commodity areas. Typical examples include oil, rags, grease, tools, and hardware fasteners.   |
| <b>NAPCP</b>  | <b>National Association of Purchasing Card Professionals</b> | Professional Association for the Commercial Card and Payment Industry <a href="http://www.napcp.org/">http://www.napcp.org/</a>   |
| <b>NIGP</b>   | <b>National Institute of Governmental Purchasing</b>         | The Institute for Public Procurement. Aim to develop recognition and esteem for the government procurement profession <a href="http://www.nigp.org">http://www.nigp.org</a>   |
|               | <b>Piggybacking</b>  | A form of intergovernmental cooperative purchasing in which an entity will be extended the pricing and terms of a contract entered into by a larger entity. Generally a larger entity will competitively award a contract that will include language allowing for other entities to utilize the contract which may be to their advantage in terms of pricing, thereby gaining economies of scale that they normally would not receive if they competed on their own. Example: A smaller government agency has the ability to use its state issued contract to obtain goods and services which is also known as Riding a Contract. |
|               | <b>Price Analysis</b>  | A Price Analysis is a comparison of quoted prices, without breaking down into separate cost elements and profit. The end result of price analysis is to ensure fair and reasonable pricing of a product or service. If a price analysis cannot be performed, then a cost analysis will be completed.  |
| <b>P-Card</b> | <b>Purchasing Card</b>                                       | Credit card used for small dollar transactions. Charges will be debited directly to each Department's budget account number designated for each Purchasing Card. Payment for all purchasing card transactions is performed electronically   |

|            |                                      |   |
|------------|--------------------------------------|---|
| <b>PO</b>  | <b>Purchase Order</b>                | A purchaser's written document to a vendor formalizing all the terms and conditions of a proposed transaction, such as a description of the requested items, delivery schedule, terms of payment, and transportation.   |
|            | <b>Reasonable cost</b>               | A cost that by its nature or amount does not exceed what would normally be incurred by an ordinarily prudent person in the conduct of competitive business. Often used in the context of "fair and reasonable" cost/price.  |
|            | <b>Responsible bidder</b>            | A contractor, business entity or individual who is fully capable to meet all of the requirements of the solicitation and subsequent contract. Must possess the full capability, including financial and technical, to perform as contractually required. Must be able to fully document the ability to provide good faith performance   |
|            | <b>Responsive bidder</b>             | A contractor, business entity or individual who has submitted a bid or proposal that fully conforms in all material respects to the IFB/RFP and all of its requirements, including all form and substance.  |
|            | <b>Rider Contract</b>                | Term used within Rockville to describe a contract agreement that has been obtained by Riding a Contract, or Piggybacking. See piggybacking.   |
| <b>RFB</b> | <b>Request for Bid</b>               | Formal competitive procurement process that solicits proposals from potential providers for goods and services (Offerors). Price is usually not a primary evaluation factor. Provides for the negotiation of all terms, including price prior to contract award. May include a provision for the negotiation of Best and Final Offers. May be a single step or multi-step process. Also known as Competitive Sealed Proposals.                                      |
| <b>RFQ</b> | <b>Request for Qualifications</b>    | A small order amount purchasing method. Generally used for small orders under a certain dollar threshold. A request is sent to suppliers along with a description of the commodity or services needed and the supplier is asked to respond with price and other information by a pre-determined date. Evaluation and recommendation for award should be based on the quotation that best meets price, quality, delivery, service, past performance and reliability. |
| <b>SAM</b> | <b>System of Award Management</b>    | Federal website providing vendor information and enabling check for current vendor debarment. <a href="http://www.sam.gov">www.sam.gov</a> . Previously known as EPLS   |
| <b>SBA</b> | <b>Small Business Administration</b> | An independent agency of the federal government established to aid, counsel, assist and protect the interests of small business concerns and to preserve free competitive enterprise. <a href="https://www.sba.gov/">https://www.sba.gov/</a>   |

|            |   |  |
|------------|---|--|
| <b>SLA</b> | <b>Service Level Agreement</b>          | An agreement between a customer and a service provider, that details the level of service and the quality of the service to be provided. May be a legally binding agreement.   |
|            | <b>Small Purchase</b>                   | Any procurement not exceeding a given upper monetary limit, as established by law, regulation, executive order, etc. Usually applies to purchases of small dollar amounts under a certain monetary threshold.  |
|            | <b>Sole Source</b>                      | A situation created due to the inability to obtain competition. May result because only one vendor or supplier possesses the unique ability or capability to meet the particular requirements of the solicitation. The purchasing authority may require a justification from the requesting agency explaining why this is the only source for the requirement.       |
| <b>SOW</b> | <b>Statement of Work</b>                | A detailed, written description of the conceptual requirements for the project. The SOW should establish a clear understanding of what is required. May also be known as Scope of Work   |
| <b>SRM</b> | <b>Supplier Relationship Management</b> | An approach to strategically plan for, and manage, all interactions with third party organizations that supply goods and/or services to an organization in order to maximize the value of those interactions.  |
| <b>VOC</b> | <b>Voice of the Customer</b>            | Term used in business and Information Technology to describe the in-depth process of capturing a customer's expectations, preferences and aversions. A technique that produces a detailed set of customer wants and needs, organized into a hierarchical structure, and then prioritized in terms of relative importance and satisfaction with current alternatives. |

Note: Many definitions taken from NIGP Online Dictionary of Procurement Terms:

[http://www.nigp.org/eweb/DynamicPage.aspx?Site=NIGP&webcode=pd-ep\\_online\\_dict](http://www.nigp.org/eweb/DynamicPage.aspx?Site=NIGP&webcode=pd-ep_online_dict)